

Source: The Kathmandu Post; 3 Feb 2018

## **Nepal-China power line feasibility report filed**

**The proposed transmission line will be 80km long n Estimated to cost Rs 10 billion**

*BIBEK SUBEDI*

The Energy Ministry has sent a preliminary feasibility report for a cross-border transmission line to the Chinese government which will allow electricity trade between Nepal and China's Tibet Autonomous Region.

The report was dispatched to the Foreign Ministry for forwarding to the Chinese Embassy in Kathmandu and eventually to State Grid Corporation of China (SGCC), the focal institution for the development of cross-border power lines between China and Nepal.

The 80-km transmission line, according to the report submitted to the Chinese side, will link Galchhi in Dhading district with Rasuwagadhi on the border with China in the north. The Energy Ministry has given three possible routes over which the proposed high voltage power line can be built. Two of the alignments pass through Langtang National Park while the third goes around it.

"We have recommended the third route to steer clear of the national park," said Komal Atreya, chief of the monitoring department of the Nepal Electricity Authority (NEA) who has been appointed as the focal person to coordinate with the Chinese side.

"We will wait for the report prepared by the Chinese side before arranging bilateral talks to take the matter forward." Nepal has also sought financial assistance to build the cross-border transmission line which is estimated to cost Rs10 billion. "After we receive the feasibility report prepared by the Chinese side, we will invite SGCC officials to Nepal or send our people to China to hold talks," said a senior official at the Energy Ministry.

The meeting, according to the source, will be held within a couple of months. "The Chinese side is very keen on developing this project and have prioritized it," said the source. SGCC officials had visited Nepal in early 2017 to hold discussions with the Energy Ministry and the NEA to build a 400 kV power line linking Rasuwagadhi and Kyirong across the northern border. During the meeting, NEA Managing Director Kulman Ghising asked the Chinese delegation to extend the proposed transmission line further south up to Galchhi so that the power line could be linked to the Nepal-India cross-border transmission line proposed to be built in Rupandehi district.

As the transmission line is necessary to supply electricity to the railway service which China plans to build up to Kathmandu, the northern neighbour is very keen on developing it, according to Atreya.

"China has erected a high voltage transmission line up to Shigatse, and if we show adequate commitment, they have agreed to extend it to Kyirong within one and half years, and ultimately connect it with the power line in Nepal," he said.

Source: The Economic Times; 5 Feb 2018

## **Sterlite Power to invest \$10 bn in transmission lines in four years**

Sterlite Power, which last bought out its overseas PE investor from the transmission arm, looks to invest about USD 10 billion over the next three-four years to expand business in both domestic and overseas markets.

The company had acquired the 28.4 per cent stake that Standard Chartered Private Equity (SCPE) held in its transmission business for Rs 1,010 crore, thus owning 100 per cent stake. The SCPE exited the company with over 100 per cent premium on its Rs 500 crore investment in made 2014.

“There is immense scope in the transmission business, especially after government opened up the sector to private players.

“Besides, there is huge opportunity in the international market and we expect to have projects worth USD 10 billion under management over the next three-four years,” Sterlite Power Group chief executive Pratik Agarwal told PTI over the weekend.

The company currently has a portfolio of 15 projects, both completed and under-construction, across India (13 in total) and Brazil worth USD 4 billion.

“Based on the entire thrust in the power sector with the focus on generation especially from the renewables on one side, and on the other the consumption push through the Uday scheme and 24×7 power supply, along with electric vehicles push, we expect nearly Rs 3 trillion will be spent on creating transmission network over the next five years,” he said.

Agarwal expects though most of this projected Rs 3 trillion investment would majorly come from government or public sector utilities, with the opening up of the sector to the private sector, global players will also come in to take their rightful market share.

“We already enjoy 30 per cent market share in the projects awarded so far. So, if have to apply the market share to future opportunity then we can calculate the enormous potential that the market offers us,” he said.

Apart from the domestic market, Latin America, the US and Britain also have enormous potential.

“With already have USD 1 billion worth of investment in Brazil and hope to gain a significant share in the other markets as well,” Agarwal said.

Asked whether they are also planning to acquire transmission assets, he said, “IndiGrid (its InvIT offering), will look at increasing the portfolio both by acquiring projects from Sterlite Power and also from third party developers.”

He said currently there are two projects in InvIT and three more of the parent company will be soon transferred to them.

Source: The Kathmandu Post; 7 Feb 2018

## **Energy Min mulling to dump deal with CTGC**

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The Energy Ministry has been mulling to scrap the contract signed between the Nepal Electricity Authority (NEA) and China Three Gorges Corporation (CTGC) for the development of the West Seti Hydropower Project after the Chinese company threatened to pull out from the deal unless the state-owned power utility revised the power purchase rate.

Last December, CTGC wrote to Investment Board Nepal (IBN) saying that it would drop the project if the NEA didn't revise its guideline for the power purchase rate.

The Chinese company has said that the rate offered by the guideline doesn't make the project bankable. According to the guideline, reservoir-type projects like the West Seti will get Rs12.40 per unit during the dry season which lasts from December to May, and Rs7.10 per unit during the wet season which lasts from June to November.

IBN wrote back to CTGC asking it to share the study report which says the project will be not be bankable at the rates mentioned in the power purchase guideline issued by the NEA. According to the IBN source, the Chinese company has not done so or responded to the board's letter.

The Energy Ministry has been consulting with political leaders and government offices like IBN and the NEA over the issue. According to a highly placed source at the ministry, Energy Secretary Anup Kumar Upadhyay and IBN CEO Maha Prasad Adhikari met with Prime Minister Sher Bahadur Deuba last week to brief him about the current status of the project.

During the meeting, Prime Minister Deuba advised them to scrap the contract with the Chinese developer if it disagreed with the power purchase rate.

Energy Ministry officials are also not in a mood to revise the power purchase rate and are for scrapping the agreement and exploring other options to build the project.

Less than three months ago, CTGC and the NEA had signed a joint venture agreement to form a joint venture company and implement the project. As per the pact, the Chinese company will have a 75 percent stake in the joint venture company while the NEA will hold the rest of the shares.

The two partners were supposed to invest in the project through their proposed joint venture company, West Seti Hydropower Project Development Limited. The scheme will cost \$1.8 billion including interest charges incurred during the construction period and \$1.4 billion excluding interest charges, according to the NEA.

The 750 MW West Seti Hydropower Project will extend across Baitadi, Bajhang, Dadeldhura and Doti districts and is expected to generate 2.8 billion units of electricity per year. The estimated construction time of the project, which will have a 207-metre tall dam, is six and a half years.

Source: The Himalayan Times; 8 Feb 2018

## **Rasuwagadi, Sanjen hydropower companies to issue IPO this month**

Rasuwagadi and Sanjen hydropower companies — both promoted by Nepal Electricity Authority (NEA) are set to issue initial public offering (IPO) to the public by the end of this month. Rasuwagadi Hydropower Company is going to issue 24 per cent of the shares out of 49 per cent allocated for the public from February 23. Depositors of Employees Provident Fund (EPF) will get 19.5 per cent of the shares as agreed during the financial closure of the 111-megawatt Rasuwagadi Hydropower Project. Likewise, 3.5 per cent shares have been allocated to the employees of the developer, NEA and its subsidiary Chilime Hydropower Company, and one per cent to the employees of EPF.

Those who are registered as EPF depositors till January 4 this year can apply for 13,342,095 units of IPO between February 23 and March 14. The face value of the IPO has been fixed at Rs 100 per unit.

Similarly, a total of 2,394,735 units of shares have been allocated to the employees of NEA and Chilime Hydropower and 684,210 units of shares for the employees of the EPF. These IPOs will be open from March 19 to 27.

EPF depositors and employees of the developers — NEA and Chilime — can apply for 50 to 500 units per applicant. But the units of shares applied for should be divisible by 10 and employees of EPF can apply for minimum 50 units to maximum 2,500 units of shares. The application will be collected through the centralised ASBA (Applications Supported by Blocked Amount) system.

Rasuwagadi Hydropower Company will issue 10 per cent or 6.84 million units of shares to the locals of Rasuwa and 10.26 million units of shares to the general public following the allotment of the shares issued to the lender and employees of developers, according to the company.

Rasuwagadi Hydropower Company has 50 per cent equity and 50 per cent loan. The promoters have so far settled the payment of 51 per cent of the shares allocated to them worth Rs 3.49 billion. Among the promoter shareholders, Chilime Hydropower Company owns 32.79 per cent, NEA owns 18 per cent, and locals of the project sites own 0.21 per cent, according to the company.

The project being constructed in Gosaikunda Rural Municipality of Rasuwa district is estimated to be completed at a total cost of Rs 13.68 billion. The project that was supposed to be completed in the beginning of 2020 has been delayed due to unforeseen circumstances like earthquakes and trade disruptions, among others, according to the developer. The project has achieved 60 per cent physical progress so far.

Similarly, Sanjen Jalaviduyt Company is also going to issue IPO in a similar manner to Rasuwagadi — 19.5 per cent to depositors of EPF, 3.5 per cent to the staffers of NEA, Chilime and the district development committee and village development committees and one per cent to the employees of EPF. Sanjen will issue 8.76 million units of shares or 24 per cent of the total shares worth Rs 876 million.

The depositors registered at EPF till December 12 last year can apply for Sanjen's IPO from February 23 to March 14 and the employees of promoter companies, district development committee (DDC) and village development committees (VDCs) can apply for IPO from March 19 to 27, as per the company. Authorised and issued capital of the company is Rs 3.75 billion and Rs 3.65 billion, respectively, in which promoters Chilime Hydropower Company owns 39.36 per cent, NEA 10.36 per cent and DDC and VDCs of Rasuwa own 1.28 per cent share.

The Sanjen Jalaviduyt Company has been developing 14.8-megawatt Upper Sanjen and 42.4-megawatt Sanjen at a total cost of Rs 2.22 billion and Rs 5.02 billion, respectively.

Source: The Kathmandu Post; 9 Feb 2018

## **2 hydropower firms to launch Rs2.51b IPO**

Rasuwadadhi Hydropower Company and Sanjen Hydropower Company are all set to make initial public offerings (IPOs) worth Rs2.51 billion. The two companies are owned by the Nepal Electricity Authority (NEA) and its subsidiary Chilime Hydropower Company.

Rasuwadadhi and Sanjen will be offering 25.1 million ordinary shares for sale to employees and depositors of the Employee Provident Fund (EPF), employees of the NEA and employees of local bodies in Rasuwa district where the two companies are building hydropower projects.

According to NEA Managing Director Kulman Ghising, the two companies will publish public notices on Sunday inviting applications from qualified investors. Rasuwadadhi will issue 16.42 million ordinary shares worth Rs1.64 billion while Sanjen will issue 8.76 million shares worth Rs876 million.

Depositors of EPF, the financier of the two projects, have to apply for the shares from February 11 to March 14. Likewise, employees of the NEA, EPF, Chilime and local bodies of Rasuwa district have to apply for the shares from March 19-27.

Rasuwadadhi Hydropower has set aside 13.3 million ordinary shares worth Rs1.33 billion for those who have their provident fund accounts with the EPF, according to Madhav Prasad Koirala, CEO of the hydropower company.

Similarly, it has allocated 2.39 shares worth Rs239 million to employees of the NEA, Chilime and local bodies of Rasuwa district, and 684,210 shares worth Rs68.42 million to EPF employees.

Investors have to apply for a minimum of 50 shares. While depositors of the EPF and employees of the NEA, Chilime and local bodies can apply for a maximum of 500 shares, EPF employees can apply for up to 2,500 shares.

Likewise, Sanjen Hydropower has reserved 7.11 million shares worth Rs711.75 million for depositors of the EPF. It has allocated 1.27 million shares worth Rs127.75 million to employees of the NEA, Chilime and local bodies, and 365,000 shares worth Rs36.50 million to EPF employees.

Investors have to apply for a minimum of 50 shares. While depositors of the EPF and employees of the NEA, Chilime and local bodies can apply for a maximum of 300 shares, EPF employees can apply for up to 1,000 shares in Sanjen Hydropower Company.

Both companies are planning to offer shares to project-affected locals of Rasuwa district and the general public in the near future.

Around 60 percent of the construction work on the 111 MW Rasuwadadhi Hydropower Project being developed by Rasuwadadhi Hydropower Company has been completed, and the company is planning to generate electricity from the project by December 2019.

Likewise, Sanjen Hydropower Company has completed 68 and 58 percent of the construction work on the 14.8 MW Upper Sanjen and 42.5 MW Lower Sanjen projects respectively.

Source: The Kathmandu Post; 9 Feb 2018

## **NEA to sign first PPA with storage-type hydro**

### **Tanahu hydroelectric project**

*BIBEK SUBEDI*

State-owned power utility Nepal Electricity Authority (NEA) has been preparing to sign its first power purchase agreement (PPA) with a storage-type hydropower project.

The NEA will be concluding a deal with its wholly owned subsidiary, Tanahu Hydropower Limited, to purchase electricity generated by the 140 MW Tanahu Hydropower Project located in Tanahu district. According to Prabal Adhikari, head of the NEA's power trading department, the agreement with Tanahu Hydropower will be signed in a couple of weeks.

"A draft of the PPA is almost ready, and we will be all set to sign it after a few rounds of negotiations," said Adhikari. "The power purchase rate is determined by our power purchase guidelines, so the talks will not take much time."

As per the power purchase guidelines issued by the Energy Ministry and approved by the NEA board, storage projects like Tanahu Hydropower will be paid Rs12.40 per unit during the dry season which lasts from December to May, and Rs7.10 per unit during the wet season which lasts from June to November. The guidelines also state that if the energy output during the dry season drops below 50 percent of the installed capacity, the payment rate during the wet season will be reduced by the percentage point of the decline.

For example, if electricity generation during the dry season falls to 36 percent of capacity, or a drop of 14 percentage points below the threshold, the NEA will pay 14 percent less for the power produced during the wet season.

This means the purchase rate for the energy produced during the wet season will be Rs6.10, which is 14 percent less than the fixed rate of Rs7.10. Although Tanahu Hydropower is close to signing a power purchase deal with the NEA, the construction of the power station is in limbo due to delays in appointing a contractor.

The company missed the appointment deadline as one of its financiers, the Asian Development Bank (ADB), delayed evaluating the technical proposals of potential builders. Tanahu Hydropower had planned to hire a contractor last December, it is now planning to do so by March.

Last July, Tanahu Hydropower had forwarded the technical proposals submitted by three companies vying to get the contract for the first package, which includes formulation of a detailed design of the project and construction of the headworks, to the ADB for its examination. However, the multilateral lender is yet to complete the evaluation of the proposals. Meanwhile, Tanahu Hydropower is all set to hire a contractor for the construction of the second package of the project, which includes construction of waterways and a powerhouse at the project site.

The project office has evaluated the technical and financial proposals of the two hopeful contractors and forwarded them to the financier, the Japan International Cooperation Agency (Jica), for its okay. Tanahu Hydropower will enter into an agreement with the selected company after getting a no objection letter from Jica.

The Tanahu Hydroelectric Project, located 150 km west of Kathmandu on the Seti River, will be one of the biggest reservoir-type projects in the country with an estimated annual energy generation capacity of 587.7 GWh in the first 10 years of operation.

The project can generate energy for six hours daily during the dry season. It is being built using credit extended jointly by the ADB, Jica and European Investment Bank.