

Source: The Himalayan Times, 17 July, 2018

PM Oli seeks way out of West Seti conundrum

Umesh Poudel

The 31st board meeting of Investment Board Nepal (IBN) led by Prime Minister KP Sharma Oli has directed the office of IBN, Ministry of Finance and Ministry of Energy, Water Resources and Irrigation to take a final decision about handing over the construction of West Seti project to the Chinese company. Price dispute related to electricity to be generated by the 750-megawatt reservoir project has stalled the mega project that was supposed to be constructed by China Three Gorges Corporation (CTGC). In today's IBN meeting, PM Oli directed all concerned authorities, including Nepal Electricity Authority (NEA), to hold discussions with the Chinese firm and conclude whether or not to pursue with the initial plan to allow CTGC to build the project.

"In case they are unable to come up with a logical solution to the dispute within two months, the earlier pact with the Chinese firm will be scrapped," said Uttam Bhakta Wagle, spokesperson for IBN.

Last year, NEA and CTGC had agreed to establish a joint venture company with 25 per cent NEA's stake to develop the project. Back then, the representatives of CTGC had expressed concerns related to bankability of the project based on current tariff policy of NEA.

Earlier, NEA had fixed rates of Rs 12.4 and Rs 7.10 per unit for reservoir projects in dry season and wet season, respectively. As per NEA's requirement, the project must generate 35 per cent of total installed capacity in the dry season. During the wet season, NEA slashes tariff by a similar per cent if the project generates seasonal energy of above 50 per cent. For example, if a project generates 65 per cent of rated capacity, per unit tariff will be reduced by 15 per cent to Rs 6.035 for energy exceeding 50 per cent of the installed capacity.

Interestingly, the government had appropriated funds in the national budget on May 29 to build West Seti utilising local resources, effectively cancelling the earlier agreement with CTGC. Prior to that, the government had cited frustration over the Chinese company's dilly-dallying in building the project. However, the government is reconsidering the earlier decision following intense pressure from the northern neighbour during PM Oli's recent visit to China, according to sources.

Meanwhile, the meeting today also decided to approve foreign investment of \$200 million from Dolma Fund Management for a solar project.

The meeting also approved the project development agreement with NepWaste Company Pvt Ltd for waste management of Kathmandu Metropolitan City, Dakshinkali, Chandragiri, Nagarjun, Tarakeshwor, Tokha, Budhanilkantha, Gokarneshwor, Kageshwori-Manahara and Shankarapur municipalities.

The meeting has also formed a committee to amend the existing Investment Board Act.

Source: The Kathmandu Post, 17 July, 2018

Vidhyut gets permit for Mugu Karnali Hydro

The Ministry of Energy, Water Resources and Irrigation (MoEWRI) has awarded the survey licence for the country's largest hydropower project to Vidhyut Utpadan Company. The state-owned enterprise received the permit following an energy secretary-level decision based on the recommendation of the Department of Electricity Development (DoED).

Vidhyut Utpadan Company will conduct the survey for the Mugu Karnali Hydropower Project located in northwestern Nepal which, at 1,902 MW, is the largest plant surpassing the previous record holder, the 1,200 MW Budhi Gandaki Hydropower Project in central Nepal.

The MoEWRI has returned the application file to the department which said it would be sending the official licence to the company in a couple of days. "The decision has been made by the ministry. We will send the official letter to the company within a couple of days," said Mana Devi Shrestha, chief of the licence department at the DoED. Vidhyut Utpadan Company applied for a permit at the department on April 15. The DoED, after reviewing the application, forwarded it to the ministry with its recommendation that the company be given the licence.

Vidhyut Utpadan Company will have two years to complete the survey of the project. The reservoir project located on the Karnali River extends across Mugu, Bajura and Humla districts. The company said it would reveal its plan to take the project forward after getting the official letter from the department. The company has received survey licences for three hydropower projects since its incorporation in October 2016: Kimathanka Arun (450 MW), Phukot Karnali (426 MW) and Jagdulla Hydro (307 MW). Likewise, the government awarded the 410 MW storage-type Nalsing Gadh Hydropower Project to the company by dissolving the development committee formed to build it. The MoEWRI is planning to award around 19 projects in the government's basket to Vidhyut Utpadan Company and has informed the DoED about its intention. The company plans to gradually identify potential projects and apply for a licence at the department.

Vidhyut Utpadan Company was established under the Company Act 2006. The company will issue 17 percent of its shares to the general public. The MoEWRI and the Nepal Electricity Authority (NEA) hold 20 and 10 percent of the stock respectively. Likewise, the Finance and Law ministries each own 5 percent of the shares while the Employees' Provident Fund and Nepal Telecom have a 10 percent stake each.

The Citizen Investment Trust, Hydroelectricity Investment and Development Company and Rastriya Beema Sansthan own 5, 4 and 2 percent of the shares respectively. The company will offer 10 percent of the shares to locals affected by its hydropower projects, and 2 percent will be allotted to the extremely poor. The company has a paid-up capital of Rs300 million and an authorised capital of Rs20 billion.

Source: The Kathmandu Post, 7 July, 2018

Upper Trishuli 3A on track to meet deadline

Around 90 percent of the civil works have been completed at the Upper Trishuli 3A Hydroelectric Project which was battered by the earthquakes of 2015, putting it on track to meet the revised power production deadline of April 2019. Similarly, China Gezhouba Group Company (CGGC) has completed around 65 percent of the hydro-mechanical works. The contractor resumed work on the 60 MW plant located in Rasuwa and Nuwakot districts after a hiatus of more than two years following the quake. CGGC has finished the rectification and maintenance of two of the dam's four gates that were damaged by the earthquake. The project is planning to assess the status of the other two gates and complete maintenance on them after the ongoing monsoon, according to Nepal Electricity Authority (NEA), the owner of the project. "The dam's two gates were repaired after diverting the water through the other two gates. But before we can start the assessment of the remaining gates, all four gates will have to be opened to let the water out," said Ambikesh Jha, the NEA appointed site in-charge of the project. "We plan to start repairing the remaining two gates in October."

Likewise, the project is about to complete the lining of the 4.1-km long headrace tunnel of the project, and most of the civil works at the powerhouse have been completed.

The foundations are ready for the installation of the project's two turbines. The Chinese-manufactured turbines are already on their way to Nepal and will reach the project site by August, according to Jha. The NEA said that the electromechanical works were also progressing smoothly. The platforms are ready for the installation of various electromechanical equipment that are on their way to the project site. Meanwhile, a Nepal Army technical team has mitigated landslide risk on both sides of the dam. Landslides triggered by the earthquake had damaged areas close to the dam site, posing a threat to the safety of the dam and the workers.

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Shotcreting is the process of spraying concrete throughout the surface of hills to avert landslides.

Similarly, in order to prevent landslides on the left side of the dam, the army has installed nets and fences on the hill with a special type of wire.

The army has already repaired the access road leading to the project site that was damaged by the earthquake. The NEA is building the scheme with a \$114.7 million concessional loan from the Export-Import (Exim) Bank of China.

Source: The Kathmandu Post, 17 July, 2018

Talks to be held with China Three Gorges on West Seti

Hydro development

The government is in no mood to scrap the deal signed with China Three Gorges International Corporation (CTGC) for the development of the 750 MW West Seti Hydropower Project even though the Chinese contractor has been dragging its feet on the scheme.

A meeting of the board of directors of Investment Board Nepal (IBN) chaired by Prime Minister KP Sharma Oli on Tuesday gave two months to IBN and the Energy and Finance ministries to negotiate with the Chinese developer and reach a consensus on developing the project.

“During the meeting, Prime Minister Oli directed the IBN management and the two ministries to reach an appropriate decision within two months,” said an official present at the meeting. Prime Minister Oli was clear that either the Chinese developer should immediately take forward the project or the deal should be scrapped, according to the source. However, this is not the first time that the IBN board of directors has reached such a decision. Last March, the board formed a committee to suggest possible ways to take the project forward as it has been languishing in uncertainty after the Chinese company said it would not go ahead with the scheme if the power purchase rate was not increased.

As per the power purchase rate made public by the Energy Ministry in January 2017, 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.

The committee recommended scrapping the pact signed with the potential developer or providing it a second chance to build the plant by slashing its installed capacity. The committee’s recommendation was presented at the board meeting by the IBN management to get the mandate to make the decision.

“We will now hold negotiations with the Chinese developer, and if it doesn’t agree to take the project forward, the deal will be scrapped,” said Uttam Bhakta Wagle, spokesperson for the board.

West Seti has been in limbo since CTGC subsidiary CWE Investment Corporation and IBN signed a memorandum of understanding to construct the hydropower project in August 2012. It took more than five years to sign a joint venture agreement between CTGC and the Nepal Electricity Authority (NEA), the state-owned power utility.

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 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. 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.

Source: The Kathmandu Post, 17 July, 2018

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Source: The Kathmandu Post, 19 July, 2018

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