

Source: The Kathmandu Post; 15 September 2018

## **Transmission line project modalities yet to be fixed**

New Butwal Gorakhpur Cross-Border Transmission Line Project

*BIBEK SUBEDI*

The Nepal Electricity Authority (NEA) and the Central Electricity Authority (CEA) of India have not yet finalised the funding and implementation modalities for the New Butwal Gorakhpur Cross-Border Transmission Line Project.

As mandated by the fifth energy secretary-level joint steering committee (JSC) meeting held between Nepal and India in April, the NEA and the CEA are required to recommend the procedures before its sixth meeting scheduled for October. The two entities were supposed to study the power transfer requirements of both countries and recommend the funding modalities accordingly. However, they have not reached an agreement with just over a month left for the sixth JSC meeting.

In July, the NEA and the CEA held a meeting where the Nepali side led by NEA Managing Director Kulman Ghising proposed an operation modality under which Nepal would use the 400 kV power line to import electricity from India for the first three years and to export electricity thereafter. The CEA didn't reveal its plan during the conference. It recently informed the NEA that the operation and financing modalities would be decided by the Indian Power Ministry and Ministry of External Affairs.

Ghising told the Post that a breakthrough in the talks was not possible before the next energy secretary-level meeting. "As the CEA is waiting for the decisions of two Indian ministries, it might take some time to reach an agreement regarding the operation and funding modalities," said Ghising.

The Energy Ministry is anxious to execute the project as Nepal has already arranged the financing to build its portion of the transmission line. It is planning to construct the transmission line with a grant provided by Millennium Challenge Corporation (MCC), an independent US government agency. An agreement to this effect has been signed, but the Nepal government must get the Indian government's consent over the financial terms and operational modality, as per the preconditions set by MCC.

Delays in reaching a conclusion regarding the financial and operational modalities will affect the implementation of the Electricity Transmission Project being executed by a \$500 million grant from the MCC which includes the construction of approximately 300 km of double-circuit 400 kV transmission lines in central Nepal.

There are five components in the project—one segment starting from the northeast of Kathmandu at Lapsipedi and extending to the west of Kathmandu near Ratmate, a second segment from Ratmate to the industrial town of Hetauda located south of Kathmandu, a third segment from Ratmate to Damauli in the west, a fourth segment from Damauli to Butwal in the southwest, and a fifth segment from Butwal to the Indian border which is part of the cross-border transmission line. The Energy Ministry has prioritised the construction of the New Butwal-Gorakhpur Cross-Border Transmission Line as it can efficiently distribute imported power to high energy consuming cities like Bhairahawa, Butwal, Pokhara and Narayangadh. The power line can also be used to evacuate surplus energy produced in the Budhi Gandaki, Marshyangdi and Trishuli corridors where most of the country's hydropower projects are

located.

Source: The Kathmandu Post; 16 September 2018

## **Errant hydropower projects under scanner**

36 hydro projects show little progress after 3 years

The Department of Electricity Development (DoED) has sought clarification from three dozen hydropower projects that are not on the track to meet their respective construction deadlines or have failed to make timely reports of their work progress to the department as required by the law.

The DoED has dispatched a letter to the errant projects with physical progress not exceeding 20 percent despite getting generation licence from the department more than three years ago.

The department sent letters to the companies two weeks ago. These hydropower projects have also failed to make timely reports to the department regarding their physical progress, according to the DoED. As per the Electricity Regulation, a hydropower project should start construction within a year after it receives a generation licence from the department and should submit a progress report every six months. "We have asked the projects to report their current status and to state the reasons behind the slow construction," said Nabin Raj Singh, director general of the DoED. "We have received statements from some of the projects. Once we get an answer from all of the projects, we will prepare a report and decide how to move forward."

If the developers fail to present satisfactory reasons behind the delay in construction, they will face stern action, according to the department.

The 36 hydropower projects includes 40MW Rahughat, 52.4MW Likhu-4, 37.6MW Kabeli-A, 12MW Upper Khimti, 14.3MW Upper Mailung Khola, 30MW Nyadi Khola, 37MW Upper Trishuli 3B, 30MW Khani Khola, 49.6MW Super Dordi Kha, 82MW Lower Solu, 20MW Upper Myagdi, 24.1MW Khare Khola, 86MW Solu Khola, 25MW Darbang Myagdi Khola and 42MW Upper Modi A among others.

The Rahugaht and Upper Modi A are being developed by Nepal Electricity Authority, the state-owned power utility while the rest of the projects are being developed by privately owned companies. The DoED had awarded the generation licence to these projects before mid-August 2015 but they have not performed satisfactorily.

While a few projects have completed 20 percent of the construction work, most of the projects have completed only a fraction so far.

The department initiated this action against the aforementioned projects, after receiving direction from the Minister of Energy Water Resources and Irrigation Barsha Man Pun.

The DoED has been asked to take stern action against the developers such as terminating their generation licence, according to Roshan Khadga, press advisor of Minister Pun.

"If the developers are facing genuine problems, the ministry will help them to expedite the construction by addressing the bottle necks," said Khadka.

"However, those developers that are just holding the licence for trading purposes without developing the project will be penalised."

Source: My Republica; 17 September 2018

## **Raghuganga hydropower project construction begins**

The infrastructure building of Raghuganga hydropower project with the capacity of 40 MW has begun.

JP Associates – an Indian Construction Company – which won the contract award of Rs 6 billion for the project construction last year has begun the first phase of its works.

The Nepal Electricity Authority's auxiliary company, Raghuganga Hydropower Limited, has been entrusted with the responsibility for the operation of the project.

Managing Director of Raghuganga Hydro Shreeram Pandey shared that the contractor company has completed the design works and started the construction of road leading to dam and tunnel as well as other managerial works.

Source: My Republica; 19 September 2018

## **IFC calls for more safeguards on hydro project shares to locals**

There should be more community education and improved regulation to maximize opportunities and minimize risks for locals who want to invest in hydropower projects in Nepal, according to a recommendation made by a study report by the International Finance Corporation (IFC).

The study report 'Local Shares: An In-depth Examination of the Opportunities and Risks for Local Communities Seeking to Invest in Nepal's Hydropower Projects' released by the IFC, the World Bank Group's investment arm, on Monday found that investment model in Nepal's hydropower projects offered a great potential to create local ownership and increase public support for hydropower projects.

However, it also found a widespread lack of understanding of how the market mechanism worked, and a lack of effective safeguards to reduce risk to investors. The new findings and recommendations of the IFC come in the wake of recent rise of hydropower companies who have to float their shares to the locals affected by their projects.

Hydropower projects are required to provide 10 percent of their shares to the locals affected by their projects. The IFC estimates that from the government's goal to develop 10,000MW in the next ten years, as much as \$439 million in equity could be raised from project-affected communities alone.

The study also shed light on some of the impacts that the share offering has brought in the local communities. The study showed that many poor rural households borrowed at high interest rates or sold primary assets to invest in local shares. They often had unrealistic expectations of returns, and were unclear on the risk of loss, according to the report. "That could explain why, despite a fall in value since their peak in 2014, demand for local shares continues to grow," read the report.

To address this problem, the study has recommended simplification of the financial information by the hydropower developers to be more easily understood by non-experts. The report also calls for defining the local share requirements in project bid documents, creating low-risk mechanisms for vulnerable households to finance their share purchases, computerizing the share allocation process and improving transparency and accountability by making it mandatory for all projects to put their information online.

"Nepal's local shares model is unique. It recognizes the importance of communities in private sector hydropower investment," a statement by the IFC quoted Wendy Werner, IFC Country Manager for Bangladesh, Bhutan and Nepal, as saying. "IFC aims to ensure the private sector contributes to sustainable power development and that this investment opportunity is within reach of every citizen, balancing the potential returns with the project risks."

Source: The Himalayan Times; 19 September 2018

## **West Seti deal scrapped**

A board meeting of Investment Board Nepal, led by Prime Minister KP Sharma Oli, held late on Tuesday decided to scrap the earlier agreement with China Three Gorges International Corporation to implement the West Seti hydropower project — six-and-a-half years after the pact was signed.

The final round of negotiations with the officials of the Chinese company had been held on August 28 and 29 and had ended inconclusively after the two sides failed to find a middle ground. During the talks, the Chinese firm seemed reluctant to take the project forward citing the low rate of return. IBN officials claimed that the Chinese firm had put forth additional conditions despite flexibility shown by the Nepali side.

The budget of the fiscal has envisioned developing West Seti project utilising local resources if the Chinese company pulled out.

Source: The Kathmandu Post; 20 September 2018

## **World Bank okays \$100m grant for energy sector**

The World Bank has approved \$100 million under the Nepal Energy Sector Development Policy Credit programme, which aims to implement key policies and regulatory and institutional measures. This is the first loan that the multilateral lending organisation has approved in the country's energy sector.

The fund will be utilised to improve the financial viability of the Nepal Electricity Authority (NEA) as the sole off-taker by establishing a regulatory framework that is transparent, autonomous, and accountable; encouraging electricity trade; and restructuring NEA to make it easier for the private sector to compete in the energy sector. According to the World Bank, the fund could help seek integration into the regional electricity market and create a competitive wholesale market. "The proposed credit aims to support the restructuring and market reform of the electricity sector to improve governance and performance of electricity institutions, eventually enhancing quality and efficiency in services," World Bank Country Manager for Nepal Faris Hadad-Zervos said. While 95 percent of the population is estimated to have access to grid and off-grid electricity, the per capita electricity consumption of 177 kWh per year is a twentieth of the global average, and a fifth of the per capita electricity consumption in South Asia.

Despite having huge hydropower potential, Nepal relies heavily on electricity imports to reduce the electricity shortage in the country, while large export-oriented hydropower projects are yet to materialise. "The new credit aims to implement policy and institutional measures to overcome these challenges and help bring about structural reforms in the energy sector, to ensure affordable electricity services and encourage predictability for sustainable investment," reads a press release issued by the multilateral agency.

The World Bank currently supports 22 active investment projects in Nepal, with \$2.5 billion dollars in commitments from the International Development Association. It approved its first credit in 1969 for a telecommunications project.

Source: The Kathmandu Post; 20 September 2018

## **A village on the waiting line**

The planned West Seti Hydropower Project set the village of Dhungad into an eternal state of limbo

*DEEPAK THAPA*

The small village of Dhungad fits every description of a sleepy place. When we arrived there around mid-day in spring 2013, what stood for the village square was quite an empty save for a few stray dogs strung around in various stages of repose. As we walked in from the north, from afar, the settlement had looked quite promising, easily the largest we had passed, and with the lush green of the wheat crop across the Seti river providing an enticing backdrop, it made for an idyllic setting.

The first sign how things actually were in Dhungad came as soon as we asked where we could eat. To our utter astonishment, we were told there were no eateries in the entire place. The one shop in the 'village square' did stock the national snack, the chow-chow noodles, and, thankfully, the shop owner even offered to prepare it for us. For someone who had hiked the whole morning on a half-empty stomach in the hopes of a nice dal-bhat lunch at Dhungad, having to make do with only noodles was disappointing enough. But to see the shopkeeper saunter off towards the river instead of getting on with the business of cooking was excruciating. Imagine my surprise when I called out to him and he responded that he was going to get some water; Dhungad had no drinking water supply.

*Bypassed by development*

For a village of that size to have to rely on river water came as a shock. Located in the southeastern-most tip of Baitadi district, at the tri-junction formed by Baitadi, Doti and Dadeldhura, Dhungad had been a major rest stop between the eastern parts of Baitadi and Bajhang and market centres in Doti, Dadeldhura and further to India. That much is evident from the buildings in the village that hark to far better yesteryears. All of that changed with studies that began in the early 1980s to generate power from the Seti (or, West Seti, as it is called to distinguish it from the Seti river near Pokhara). Old-timers still remember the French team arriving by helicopter to survey the site, a fact that becomes even poignant given that they have been waiting since then for the project to take off even as they lived through years of uncertainty.

The state of limbo that has become part of the life of Dhungad residents for more than three decades has been accentuated in a number of ways. The motorable road that goes north from Dadeldhura town and on to Bajhang bypassed it completely since it made little sense to spend money to provide a road connection to an area that would be submerged soon enough. Once that road was constructed in the 1990s, foot traffic along the Seti via Dhungad ceased, and Dhungad slowly became a ghost of its former self. The once-busy trail was used only by the locals, and in a condition of perpetual disrepair.

The impact of the planned West Seti Hydropower Project goes deeper since no major development intervention has been introduced in Dhungad all these years for the simple reason that it would be akin to literally pouring money into water. At least, that is the reason given to people of Dhungad whenever they went to the District Development Committee seeking funds (a fact that was equally true for all the villages in Baitadi, Doti and Bajhang in the submergence area of the reservoir that would be created by the proposed high dam). Dhungad is also located more or less on the riverbed itself. This means that floods are a recurrent danger every

monsoon, and it was not surprising that many in Dhungad said their immediate need was a secure embankment to prevent river water from entering their homes. But, they also knew that was no more than a pipe dream because no government would fund such an enterprise. They have no electricity either and a proposal to set up a microhydro plant on the nearby Dhung Gad (river), one of the tributaries of the Seti, did not come to fruition either. Thus, they shoulder on with their lives—without drinking water, without electricity, without a motorable road, under constant threat of flooding, and ignored by the state.

It was the people of Dhungad who first came to mind when I read about the Three Gorges Corporation pulling out of the project recently. Our visit to the area was not long after the project had been handed over to the Chinese company, and people were upbeat about things moving forward. It was an optimism born out of desperation. In 1994, the government had signed an agreement with Australia's Snowy Mountains Engineering Corporation. Following 17 long years of inaction apart from more studies and a few consultations as well as requests from the company for more time to find the money for the project, the government had decided to scrap the deal.

The fervent hope of the Dhungad residents is that the hydropower project would commence operations and they would finally be able to rebuild their lives somewhere else with the compensation they received for their land. Now, two generations after that first visit by the French, they are back to square one. We have heard about development refugees. The people of Dhungad have not been displaced but their fate seems not much better.

Wrong model?

Around the same that Three Gorges opted out of West Seti came the news that we had signed a power purchase deal with Bangladesh. This is based on the assumption that we will have surplus power once the mega hydropower projects come online. Among these are Upper Karnali and Arun III, both of which had been handed over to Indian companies in 2008. The project development agreements (PDAs) were finally signed in 2014, with the understanding that power generation would begin in 2020. There is no way that will happen. Just yesterday, the company responsible for Upper Karnali received a year-long extension to put together the finances required. There has been more movement with Arun III, with Prime Minister K.P. Sharma Oli and his Indian counterpart, Narendra Modi, remotely laying the foundation stone in May earlier this year. How swiftly this will translate into action on the ground is yet to be seen. It would behoove us to temper our expectation for we have examples aplenty of projects repeatedly failing to meet deadlines. Just think of Melamchi and Kulekhani III.

One does wonder how much our fascination with big projects is responsible for this mess we find ourselves in. During the bad old days of loadshedding, it was not very uncommon to hear some people variously blame the UML or the anti-Arun activists for their role in the 1995 cancellation of the Arun III project which was to be funded by the World Bank. We have since learnt that the loadshedding was artificially created for the large part, but the sentiment is strong that Nepal took a step backward with the end of Arun III. Back in 1998, in the course of some research I had discovered that without Arun III and its various conditionalities, we would be generating an extra 320 MW at a cost of USD 420 million by 1999. With Arun III, the cost would have been USD 1.08 billion with only 297 MW more generated, and that, too, only by 2003.

*As the people of Dhungad and their neighbours have found out over the course of many long decades, big is not always better.*

Source: The Himalayan Times; 19 September 2018

## **NEA signs PPA with Kunban Khola Hydropower Project**

Nepal Electricity Authority (NEA) — sole power off-taker of the country — has signed a power purchase agreement (PPA) with Kunban Khola Hydropower Project (KKHP) to purchase 20 MW of electricity generated by the project. Sushil Pokharel, executive chairman of the project, and Jagadishwor Man Singh, deputy managing director of NEA, signed the pact on behalf of their respective organisations.

According to Pokharel, the project — located in Mudi rural municipality of Myagdi district — will generate annually 115.515 gigawatt hour (GWh) — 17.553 GWh in dry season and 97.961 GWh in wet season. The generated electricity will be delivered to NEA's proposed Dandakhet 132 kVA substation through 20-km-long transmission line. The per unit rate of electricity has been fixed at Rs 4.80 and Rs 8.40 for the wet season and dry season, respectively.

The project is estimated to be completed with the investment of Rs 3.80 billion, out of which 70 per cent will be bank loan and 30 per cent will be equity investment.

As per the rules, the project will allocate 10 per cent of the shares to the locals and 15 per cent shares will be separated for the public.

Pokharel of KKHP further stated that the construction of the project was going to be completed within four years and by early 2024, the project is expected to start commissioning power.