

Source: The Kathmandu Post: 29 September 2018

## **Nepal, China to boost ties in energy sector**

The first ever bilateral meeting of the Nepal-China Joint Implementation Mechanism on energy cooperation was held on Friday, where both sides agreed to facilitate joint investments in the power sector of both the countries. During the meeting, both the sides presented their respective country's power system scenario, investment prospects, power markets and future plans to make each other familiar with their respective energy sectors.

The meeting also deliberated on possible energy collaboration between the two parties as well as on developing a cross border interconnection, according to a joint press statement released after the meeting. Both the parties agreed to form a Nepal-China energy cooperation plan which will work as a road map for both the countries. Energy Secretary Anup Kumar Upadhyay led the Nepali team in the meeting, while the Chinese delegation was led by He Yang, deputy director general of National Energy Administration of China. The mechanism was established to promote collaboration between Nepal and China and implement the energy cooperation agreement signed with China during Prime Minister KP Sharma Oli's visit to the northern neighbour in June.

After Prime Minister Oli's visit, the Minister of Energy, Water Resources and Irrigation formed a seven-member team under the leadership of Energy Secretary Upadhyay to represent Nepal in the joint mechanism, which invited Chinese officials to Kathmandu for the meeting.

Source: The Kathmandu Post: 30 September 2018

## **Construction of hydel project obstructed**

The construction work of the 42 MW capacity Mistrikhola hydel project has been obstructed by the local residents of Narchyang in Annapurna rural municipality-4.

Alleging that the project management failed to take efforts to control the landslide triggered by water flowing out of the project tunnel outlet, the Annapurna Youth Club of Narchyang led the protest leading to closure of the construction work since Saturday evening.

The work will be halted until a written agreement reached between the two sides, said the Club member Amit Pun. The project is an undertaking of the Robust Energy Limited. The construction work on the project began on June 13, 2016. More than 60 per cent of the work has been completed. The project is estimated to cost Rs. 5.64 billion.(RSS)

Source: The Himalayan Times: 1 October 2018

## **EIA of 688-MW Betan Karnali hydel starts**

Betan Karnali Sanchayakarta Hydropower Company Ltd (BKSHCL) has started to conduct the Environmental Impact Assessment (EIA) of the 688-megawatt Betan Karnali hydropower project. The project is being promoted and funded by the Employees Provident Fund (EPF). “We have awarded the contract to conduct the Environmental Impact Assessment of the Betan Karnali project to NEA Engineering Company and it will be completed by 2019,” informed Deepak Rauniar, chief officer at EPF. In May 2017, the Ministry of Energy, Water Resources and Irrigation had granted approval to EPF to construct the project through its own resources.

“It will take two years to complete all the survey works and we plan to complete the construction of the project five years after the survey works are over,” informed Rauniar.

As per him, this is the first hydropower project that EPF will be constructing through its own initiative.

Rauniar also informed that EPF will invest Rs 1.29 billion from its income of fiscal year 2015-16 in the first phase of the Betan Karnali hydropower project. EPF expects the cost of construction of the project to hover around Rs 80 billion.

The EPF has proposed to generate 40 per cent of investment from contributors, and around 600,000 contributors of the EPF will get shares of the hydropower project.

As per Rauniar, Japan International Cooperation Agency had conducted a survey of the project in 1982, and had mentioned that the 688-megawatt hydel project is a low-cost, high-capacity project.

Source: My Republica: 1 October 2018

## **PM Oli observes Pirris Hydropower Plant in Costa Rica**

Prime Minister KP Sharma Oli observed the Pirris Hydroelectricity Plant at Eolik Park, Los Santos in Costa Rica on Sunday.

PM Oli and the Nepali delegation was welcomed by the hydroelectric plant's chief engineer German Urena DB Errias at Eolik Park and briefed about the project.

Director of the Costa Rican Electricity Corporation (ICE) Roberto Kiros gave information on other aspects of the project.

Renewable energy occupies 98.1 per cent of the energy output of Costa Rica. Of this energy output, 80 per cent is hydroelectricity. Generally, cent per cent energy demand of Costa Rica is supplied by renewable energy for around 75 days every year.

ICE produces hydroelectricity, geothermal electricity, wind, solar and bio fuel. This power utility institution uses hydrocarbon energy only for backup. The National Electricity System, the largest project operated by ICE, has four various dam-based hydroelectricity projects.

Likewise, among the geothermal plants operated by ICE include the Miravales Geothermal and Las Pilas Geothermal plants. Wind energy plants are also operated by ICE.

ICE produces 70.27 per cent of the total energy generated in Costa Rica while the business community produces 10.25 per cent, the private sector 9.29 per cent and 10.18 per cent under the build-own-operate and transfer (BOOT) model.

Costa Rica sells electricity to Guatemala, El Salvador, Honduras, Nicaragua and Panama. These countries share an electricity distribution system for this purpose.

Pirris Hydroelectricity Plant generates 134 Megawatts electricity and this is a dam-based project located on the Pirris River.

The total hydroelectricity generation capacity of Costa Rica is estimated to be 3,039 Megawatts. In 2014, Costa Rica built plants that can generate 2,732 Megawatts electricity. The remaining energy source is geothermal energy.

Prime Minister Oli also observed Coopesantos wind energy project based on cooperatives on Sunday.

Chairperson and General-Secretary of Coopesantos briefed Prime Minister Oli about the issues of wind energy. Similarly, the Prime Minister also observed Wind Turbine. A turbine of Coopesantos produces 850 KW electricity. The Coopesantos has now 17 such turbines.

Costa Rica is a Central American country with coastlines on the Caribbean and Pacific. Costa Rica, spread on 51,060 sq kilometers area has 4.9 million population.

On the occasion, PM Oli was accompanied by his wife Radhika Shakya. Present on the occasion were PM Oli's Chief Advisor Bishnu Rimal, Secretary at the Foreign Ministry, Shanker Das Bairagi, Chief of Protocol Deepak Adhikari and senior officers of the government of Nepal.

Source: My Republica: 1 October 2018

## **Locals halt construction work of Mristikhola hydropower project**

*Hari Krishna Gautam*

Locals have halted works at the project site of Mristikhola Hydropower Project (42 MW) at Narchyang village in Annapurna Rural Municipality-4.

Shyam Purja, president of Annapurna Youth Club, said locals halted all construction work from Saturday evening after the project showed lack of seriousness in management of water discharged from the outlet of the project's underground dam construction site. "Phedi village is facing the risk of landslide due to flow of water from the project's dam site. We decided to stop all construction works after the project management showed a deaf ear toward our demand," Purja added.

"The project design is faulty. It has put an entire village at risk. We made verbal and written requests with the project management. But they are not willing to listen to our demand."

High Himalaya Hydro Construction Pvt Ltd is overseeing construction of the tunnel and the powerhouse. "Though the project's consultant earlier said that the management must listen to the request of locals, the management is not addressing it yet," Prakash Phagami, chairperson of Ward 4, said.

"Locals have only requested the project for proper management of water by using pipes and study the geology of the village land by bringing experts. This should not be a big deal for such a huge project," Phagami added.

Meanwhile, the project management has claimed that it was working on ways to manage water released from the dam construction site. It has claimed that the problem occurred after sudden eruption of natural spring in the underground dam site. The management also argued that flow of water from the dam has not put the Phedi village at the risk of landslide.

Dam Bahadur Pun, chairperson of Annapurna Rural Municipality, said that the project management should be sensitive toward demands raised by the locals. "Locals have supported the project so far," he added.

The project is estimated to cost Rs 5.64 billion. According to the project design, a dam will be built on the confluence of Nilgiri and Ghalemdi rivers to divert water to the powerhouse through 2,288-meter tunnel. More than 60 percent of work of dam, tunnel, powerhouse and installation of penstock pipe have completed so far, according to the project.

Source: The Himalayan Times: 2 October 2018

## **Tanahu Hydro selects two contractors**

Tanahu Hydropower Co has selected contractors for major construction works of 140-megawatt Tanahu hydropower project on Monday.

Tanahu Hydropower has awarded contract related to diverting the flow of the river, construction of the dam of the reservoir and head works to Cooperativa Muratori and Cementisti (CMC) of Italy. CMC had placed lowest bid of Rs 20.64 billion for the works. Also, works related to tunnel, powerhouse and import of hydro- mechanical and electro-mechanical equipment, and their assembly and operation have been awarded to a Chinese firm, Sinohydro Corporation Ltd. Sinohydro had placed lowest bid of Rs 3.83 billion.

Source: The Kathmandu Post: 2 October 2018

## **New law proposed to check underperforming contractors**

Builders failing to perform for two consecutive quarters could lose contracts

*PRITHVI MAN SHRESTHA*

Contractors undertaking large infrastructure projects who fail to perform as per the target for two quadrimesters could lose their contract once the proposed new law meant to govern a large infrastructure project comes into effect—a significant move by the government to discipline contractors. With works on several large-scale projects running behind schedule, mostly due to the non-performance or under-performance of contractors, the Prime Ministers' Office (PMO) is introducing a separate law with stringent measures to oversee larger infrastructure projects. The PMO prepared the draft of the new legislation in line with the budget provision of the current fiscal year 2018-19 which has envisioned introducing a separate law for the National Priority Projects. The bill is currently at the Law Ministry for review after which it will be forwarded to the Cabinet.

Government officials said the new bill has tried to address four major issues that have plagued the country's development projects: delay by contractors, the problem in land acquisition, low bidding, and forest clearance.

Once the bill is endorsed by Parliament, infrastructure projects with a budget above Rs25 billion will come under its purview. Similarly, four-lane road projects, hydropower projects above 300MW capacity, and transmission line projects above 300KV will also fall under this law. PMO officials said only those projects whose feasibility study is completed and financing is guaranteed will come under the new law. "The work of the contractor will be reviewed in every four months," said PMO Secretary Kedar Bahadur Adhikari, who is involved in the drafting of the bill. "If the contractor fails to meet the target set for two quadrimesters, the government authority can terminate the contract as per the proposed provision we have included in the draft."

The country's key infrastructure projects such as Melamchi Drinking Water Project, upgrading of the Tribhuvan International Airport, construction of Gautam Buddha International Airport and Kulekhani III Hydropower Projects among others have been adversely affected by under-performance of contractors over the years.

Due to delay in completion of the projects, the cost of major infrastructure projects has been spiraling up. For example, the cost of Melamchi project soared to Rs35.54 billion from initially estimated cost of Rs17 billion, according to the National Planning Commission.

The government is also trying to address the perennial problem of low bidding in the government contract through the new bill. The bill has provisions of awarding the contract only to the bidder who passed the technical evaluation first.

"We have proposed a two-envelope system of bidding under which both technical and financial proposals will be invited at the same time. First, the technical proposal will be opened and financial proposals of only those who had passed in technical assessment will be opened," said Adhikari.

As per Public Procurement Act, the lowest bidder is given the contract. This legal provision has been exploited by many contractors to win the infrastructure projects. The Pappu Construction is classic example of this modus operandi. Despite poor track record in project execution, the company has been winning some of the best construction deals in the country through low bidding.

The bill also includes a provision for land acquisition, according to which projects can be implemented as

soon as 75 percent of the affected people in any area approve the compensation. "Administrative measures could be taken against those who continue to oppose," said Adhikari.

Implementation of some of the projects has halted for years although few local people did not accept compensation. Projects like Mid-Hill Highway, Kathmandu-Nijgadh Fast Track, Thankot-Chapagaun-

Bhaktapur transmission line, Kabeli Transmission Corridor, Sikta Irrigation project, among others, are facing land acquisition-related issues due to protests from the locals.

As for the early forest clearance, the bill has made a provision that the project would provide appropriate compensation to the authority that handles the forests. The draft of the bill also says that the head of a project should not change until the project is completed.

“We have included this provision as frequent change of the project chief has hit the projects badly,” said Adhikari, who added that the bill also has a provision of appointing the project chief through free competition.

Tulasi Prasad Sitaula, a former secretary, said that as the project manager and contractor alone could not solve many problems that arise in infrastructure projects, there should be a mechanism to facilitate the implementation.

He said that although the issues could be addressed through an amendment in the existing laws, the new law is also a welcome move.

“But the biggest question is whether the government authority will enforce the law,” said Sitaula. “The government’s failure to enforce the law in the past has led to current anomalies in the first place.”

#### **Key provisions of proposed law**

The new Act to govern only the projects with completed feasibility study and guaranteed finance

Contractor could lose their contract for underperformance

Project implementation only after 75 percent of affected people accept compensation

Ban on protests at the project site

Project chief’s hiring through competition

Two-level bidding on the projects

Source: The Kathmandu Post: 3 October 2018

## **New law proposed to check underperforming contractors**

### **Builders failing to perform for two consecutive quarters could lose contracts**

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Source: The Kathmandu Post: 3 October 2018

## **Energy Ministry evaluating proposals for Tamor project**

The government is in the process of selecting a Chinese joint venture partner for the Nepal Electricity Authority (NEA) to develop the Tamor Storage Hydroelectric Project, making the state-owned power utility unhappy as it wants to execute the scheme on its own.

The Energy Ministry is currently evaluating the applications filed by three Chinese companies that are willing to execute the project in eastern Nepal by teaming up with the NEA. According to a highly placed source at the Energy Ministry, one of the three companies will be awarded the 762 MW reservoir-type project without free competition.

The selected company will then enter into a contract with the NEA to form a joint venture company which will execute the project. The NEA is not happy with the government's decision to bring in a Chinese company as it wants to implement the project on its own.

The government is firm about awarding the project to the Chinese developer, and it has been trying to do so for quite some time.

A few months ago, the Prime Minister's Office had asked Investment Board Nepal (IBN) to make preparations to sign an accord with a Chinese company to build the Tamor project.

IBN then wrote to the NEA asking it if it would be willing to undertake the project by forming a joint venture with Sichuan ANHE Hydraulic and Hydro Election Engineering Company. The state-owned power utility said it was not interested.

The NEA has already initiated the public procurement process to appoint a consultant to conduct a detailed feasibility study for the project. The NEA holds a survey licence for the project with an installed capacity of 200 MW, but it wants to hike the installed capacity to 762 MW and develop it. It has filed an application at the Department of Electricity Development for a survey licence with the increased installed capacity.

If the storage project is built with the increased capacity, it will inundate the 37.5 MW Kabeli-A and 21.5 MW Lower Hewa projects currently being developed downstream of the proposed site, and the project developer will have to compensate their owners to abandon them.

The department has clearly asked the NEA to first get the consent of the two projects that face being submerged in order to qualify for the licence. The NEA has convinced the promoters of the two projects to abandon them for compensation if the power utility executes the project with the increased installed capacity.

In 1985, the Japan International Cooperation Agency (Jica) had proposed building a 696 MW hydroelectric project on the Tamor River by building a 153-metre high dam. However, the government did not show much interest in the proposal at that time.

Now, when the NEA management is very keen on developing the project with the increased installed capacity by paying compensation to the smaller schemes downstream, the government has moved to award the contract to the Chinese developer.

Source: The Himalayan Times: 3 October 2018

## **EPF collects funds to invest in Betan Karnali hydel project**

The Employees Provident Fund (EPF) has started collecting funds from the cash dividend distributed to its member depositors in fiscal 2016-17 to invest in Betan Karnali Hydropower Project initiated by the EPF. The EPF has been converting cash dividend provided to each member depositors from 2015-16 into shares of the hydro company and it has collected around Rs 1.3 billion from the cash dividend of fiscal 2015-16, as it had distributed 0.65 per cent cash dividend in that particular fiscal.

Similarly, the EPF has announced 0.75 per cent cash dividend to its depositors in fiscal 2016-17.

The EPF has asked the member depositors, who do not wish to convert their cash dividend into shares, to submit their application at the Thamel branch of EPF.

The EPF has so far accumulated Rs 2.85 billion by converting cash dividend into shares. The EPF has yet to publish its audited balance sheet of fiscal 2017-18, it is reported that the EPF has earned profit of around Rs three billion and will be able to accumulate more funds by converting cash dividend provided to member depositors into share.

The EPF has 600,000 depositors and it has committed to generate equity investment of around Rs 21 billion for Betan Karnali. Out of the total estimated investment, 30 per cent or Rs 6.3 billion will be share capital and 70 per cent or Rs 14.7 billion will be loan investment. Nepal SBI Bank and Nabil Bank have so far committed to provide Rs 25 billion under consortium financing for the project.

According to Deepak Rauniyar, chief officer of the EPF, who is looking into this project, EPF is planning to complete the project within five years, and the developer — Betan Karnali Sanchayakarta Hydropower Co Ltd — has begun environmental impact assessment works.

“We have awarded the contract to conduct the environmental impact assessment of Betan Karnali project to NEA Engineering Company, and it will be completed by 2019,” said Rauniar.

As per EPF, out of projected Rs 21 billion equity investment, 40 per cent will be mobilised from the member depositors, 15 per cent through institutional investment of EPF, 10 per cent from the generation company — Betan Karnali Sanchayakarta Hydropower Co Ltd, 10 per cent from Nepal Electricity Authority, 10 per cent share will be allotted to the (project-affected) locals and 15 per cent will be allotted to public through initial public offering.

The 425-megawatt peaking run-of-the-river project will be located in Surkhet district. The initial projected capacity of 688 megawatts has been reduced as the project is located upstream of high capacity 10,800 MW Karnali Chisapani Hydropower Project downstream. And the government has put forth its vision to develop the largest energy project in South Asia region.

In May 2017, the Ministry of Energy, Water Resources and Irrigation had granted approval to EPF to construct the Betan Karnali hydropower project through its own resources. Japan International Cooperation Agency had conducted a survey of the project in 1982, and had mentioned that the 688-megawatt hydel project is a low-cost, high-capacity project.

Source: The Kathmandu Post: 5 October 2018

## **Power generation company to partner with private projects**

State-owned Hydroelectricity Investment and Development Company (HIDCL) will make equity investments in projects being executed by private developers too, departing from its earlier policy of investing in public projects only.

The board of directors of HIDCL approved a working procedure that will allow the company to be an equity partner in hydropower projects owned by independent power producers. Established in 2011 to mobilise funds for the development of hydropower projects in both the public and private sectors, the company has been investing in public projects only so far. Seven years after its establishment, HIDCL came up with the plan to make investments in private projects too as mandated by the government. The company was set up with share investments from the Finance, Energy and Law ministries and other government agencies including the Employment Provident Fund, Citizens Investment Trust and Rastriya Beema Sansthan.

“We have made equity investments in many public projects. Since investments in private projects is a risky affair, we took some time to enable our organisation to take such risks,” said Mukti Bodh Neupane, deputy general manager of HIDCL. “Now our organisation is mature enough to take such risks, and we will start making equity investments in private projects.”

Project developers seeking equity investment from HIDCL have to pass a financial, legal and institutional assessment conducted by the company to be eligible to receive funding, according to the working procedure. HIDCL will also collect credit information about the project’s primary promoters before making an equity investment decision.

According to Neupane, HIDCL is currently evaluating the proposals of several hopeful privately-owned mid-sized hydropower projects. It is considering funding applications for the 42 MW Nyasim Hydropower Project and 57 MW Nupche Likhu Hydroelectric Project, among others.

“Once the evaluation is complete, we will make an equity investment in these projects,” said Neupane. Apart from making equity investments in private hydropower projects, HIDCL has prepared a modality to allow public participation in the development of key hydropower projects in the government’s basket. It has submitted the modality to the Ministry of Energy Water Resources and Irrigation.

As per the modality, the general public can purchase shares in an initial public offering (IPO) by paying 10 percent of the face value. They have to pay another 50 percent of the face value after 80 percent of the construction is completed. The remaining 40 percent of the face value needs to be paid after the construction of the project is close to completion.

For example, one can purchase a share with a face value of Rs100 by paying Rs10 initially, and then pay Rs50 after 80 percent of the construction of the project is completed. The remaining Rs40 has to be paid when the project is about to be completed.