

Source: My Republica; 2 November 2018

## **Government moves to establish electricity commission**

*BIBEK SUBEDI*

The Ministry of Energy, Water Resources and Irrigation (MoEWRI) has initiated the process to set up a commission to regulate the energy sector, more than a year after an act was passed for its establishment.

Minister for Energy, Water Resources and Irrigation Barsha Man Pun on Wednesday formed a three-member committee headed by Irrigation Secretary Sanjay Sharma to appoint office bearers to the Nepal Electricity Regulatory Commission (NERC), a powerful body to regulate the country's energy sector. Electricity expert Megh Bahadur Bishwokarma and MoEWRI Joint Secretary Toya Nath Adhikari are the other members of the committee. The panel is mandated to recommend candidates for commissioner and members to the government.

Committee coordinator Sharma told the Post that he would initiate the selection process after the Tihar festival which begins next week. Sharma is yet to receive a formal letter about the formation of the committee.

As per the Electricity Regulatory Commission Act, the committee is required to publish a 15-day notice inviting proposals from interested Nepali citizens. The committee has to recommend the names of the commissioner and four members within 21 days.

In order to qualify for the position of commissioner, a candidate should have served in a government office as secretary or hold a Master's degree in economics, science, political science or commerce besides possessing 25 years' experience in the related field. In order to be eligible to apply for the position of member, one must have a Master's in one of the aforementioned subjects and 15 years' experience in the related field.

The Cabinet will name the commissioner and members of the NERC. Subsequently, the panel will appoint other staff to give full shape to the commission, according to the ministry.

The NERC will supersede the existing Electricity Tariff Fixation Commission and set the charges that customers will have to pay to the Nepal Electricity Authority (NEA), the state-owned power utility. The commission will fix the electricity tariff after holding a public hearing.

The commission, according to the regulations, will also establish a code that various entities under its jurisdiction will have to follow. The code will specify standards for the construction of hydropower plants, transmission lines and distribution networks. It will also determine the voltage that will be supplied to customers by the utility.

The commission will also have a full mandate to determine the power purchase rate for the state-owned power utility. At present, the NEA is the sole buyer of electricity in Nepal, and it has been fixing the rate for the purchase of electricity from hydropower projects. Also, the power utility has to obtain the commission's approval to sign power purchase agreements with project developers.

Source: My Republica; 4 November 2018

## **Committee still indecisive about West Seti modality**

*Bishnu Belbashe*

A committee formed to build the modality to develop West Seti Hydro Project after China Three Gorges Corporation (CTGC) backtracked from the project is yet to come up with an appropriate model of developing the project.

The committee that was formed by the Investment Board Nepal (IBN) one and a half month ago is still clueless about a possible model that Nepal can embrace to build the much-hyped project.

Minister for Energy, Water Resources and Irrigation

Barshaman Pun, Minister for Finance Yuba Raj Khatriwada and Investment Board's CEO Maha Prasad Adhikari are members of the committee.

“The committee has met three times. But it is yet to reach any conclusion,” said Uttam Bhakta Wagle, joint secretary at the board.

Located in Doti, Dadeldhura, Bajhang, and Baitadi districts, West Seti is a storage project with 750 MW capacity.

Earlier, the Investment Board had decided not to award the project to the CTGC after it reportedly put forth one after another condition to build the project during a two-day dialogue between a high-level delegation of the Chinese company and senior officials of the board.

Following the decision, the project's modality and fate has become uncertain.

At a time when negotiations with the Chinese company were underway, the government through the budget speech of the current fiscal year had announced that the project will be constructed through domestic resources. This announcement caused more uncertainty over the modality of the project.

Observers say that such unnecessary conditions put forth by Chinese company were guided by their intention to quit the project.

Among others, the Chinese company representatives are reportedly against an ‘unfeasible’ power purchase policy and possible complications in resettlement and rehabilitation at the project site.

Following an in-depth study of the project development process to address the concerns and demands of Three Gorges, Nepal government had agreed to extend the US dollar PPA (power purchase agreement) rates for two more years to 12 years and also revise the project capacity down to 620 MW from the original 750 MW.

After more than six years of negotiations with the Chinese company broke down in August end, the board on September 18 had formed the high-level committee to prepare the modality for the development of the project. The committee's failure to make any headway is likely to further delay the project that is expected to be a game-changer for the country's economy.

The Chinese company had bagged the project in February 2012 through direct negotiations with the government. In contrast to other hydropower projects under the mandate of IBN, this project focuses on domestic consumption.

Source: My Republica; 5 November 2018

### **Arun III's construction satisfactory: FinMin**

Minister for Finance, Dr. Yubaraj Khatiwada said that it would still take some time to review the ongoing construction of Arun III hydropower. Khatiwada said so while talking to journalists in Khadbari, the district headquarter.

He said that the government was satisfied with the ongoing construction and that the federal government would provide necessary assistance as per needs to expedite the construction of the national pride project.

Khatiwada recalled how previous governments had paved roads since 2066 BS to increase connectivity of local residents as well as path to reach the hydropower. He added that access to road network had also helped locals to increase agricultural outputs and expand market areas.

He added that the government was working to set up customs office, tax office, border administration and police post offices by opening Kimathangka border.

Source: My Republica; 6 November 2018

## **Upper Tamakoshi IPO oversubscribed four times**

### **'Allotment will take at least 15 days'**

KATHMANDU, Nov 6: The primary shares of Upper Tamakoshi Hydropower Ltd (UTHL) have drawn overwhelming response from investors as the offering has been oversubscribed by nearly four times.

Roshan Jung Karki, a deputy manager at the Citizens Investment Trust (CIT) -- the lead issue manager of the UTHL's initial public offering (IPO) -- told Republica that the hydro company's 15.89 million units of primary shares worth Rs 1.59 billion drew subscriptions worth over Rs 6.32 billion.

The face value of each share is Rs 100.

The offering closed on Monday.

The company received 327,000 applications for 63.15 million units of shares worth Rs 6.32 billion by 6 pm on Monday, according to Karki. "The subscription amount and number of applications is likely to go up further in the final tally," said Karki, adding that the final figure will be available by Tuesday.

The subscription is likely to cross Rs 6.5 billion.

Each investor is likely to get at least 40 units of shares, according to officials of the issue manager.

The hydropower company, which is building the mega hydro project by mobilizing domestic resources, is offering 15 percent of its shares to the general public. This 15 percent primary share is in addition to 105.9 million units of shares which were allotted to the project-affected locals of Dolakha district last week. Public shareholders, including the locals of Dolakha, will hold 25 percent ownership in the project.

According to CIT officials, the share allotment process could take at least two weeks. "It will take time to sift through the applications to make sure that members of Employment Provident Fund (EPF) and others, who have already received shares of the hydropower company, do not get chance to participate in the allotment again," he added.

Though the application process for the primary shares for general public was carried out through Centralized Applications Supported by Blocked Amount (C-ASBA) system from member banks of ASBA, the issue manager could not block previous applicants of the earlier offering which was conducted manually.

"As those who have applied and received the shares could also apply for the shares, we will first disqualify them and proceed with the allotment process," said Karki, adding that the process will take at least 15 days.

Similarly, 18.3 million units of shares, or 17.28 percent, have already been allotted to the members of Employees Provident Fund, while staffers of EPF and the project received 2.88 percent of the shares or 304,290 units. Staffers of UTHL and NEA have been allotted 3.84 percent, or 4.07 million units, of the shares.

The 456-megawatt peaking run-of-the-river hydropower project is expected to start generation by mid-July next year. The project is eyeing commercial generation by mid-November, 2019.

Source: The Kathmandu Post; 8 November 2018

## **Upper Tamakoshi IPO oversubscribed 4 times**

*BIBEK SUBEDI*

The initial public offering (IPO) of Upper Tamakoshi Hydropower Project was oversubscribed four times, belying fears of a low turnout due to the cost and time overruns plaguing the scheme, issue manager Citizen Investment Trust (CIT) said.

The 456 MW national pride project located in north central Nepal is being developed by a subsidiary of the Nepal Electricity Authority, the state-owned power utility.

The hydropower company launched its IPO of 15.8 million shares on Thursday, and by Monday when it closed, 346,166 persons had applied for 67 million shares worth Rs6.7 billion.

According to the issue manager, the shares will be allotted to the applicants in a couple of weeks. "As the office will close for the Tihar festival from tomorrow, we will make the share allotment after the holidays," said Uddav Silwal, assistant officer at the CIT.

According to Silwal, officials of the hydropower company, the Securities Board of Nepal and the CIT will meet before the allotment to decide the modality. "There is a high chance that the shares will be allotted on a proportional basis to all applicants," he said. If the allotment is done on a proportional basis, each applicant will get one-fourth of the number of shares applied for.

Although Upper Tamakoshi Hydropower Project has been successful in attracting a large number of investors, its performance is far from satisfactory, with the project office having to push back the completion deadline three times.

Last week, the project office extended the completion deadline by six months as it wasn't going to be able to start operating one of its six turbines by December 2018 and complete the entire project by April 2019 as originally planned. As per the new deadline, the hydropower plant will start commercial generation of electricity by mid-November 2019.

The project office has cited earthquakes, the Indian trade blockade and various technical issues including dillydallying by one of the contractors as reasons for the delay in the national pride project where 95 percent of the construction works have been completed.

The intermittent delays experienced by the project have led to cost overruns.

The plant was initially planned to be built at a cost of Rs35 billion, but the final bill is now expected to reach Rs50 billion. The total cost will reach Rs70 billion if interest is added.

Nevertheless, the project is considered to be a role model project which is being developed with domestic resources and a high level of participation by project-affected locals and the general public.

Source: The Kathmandu Post; 11 November 2018

## **Kabeli Corridor Transmission Line: Forest Ministry's indecision delays project development**

*BIBEK SUBEDI*

The construction of the Kabeli Corridor Transmission Line is in limbo due to the Forest Ministry's dillydallying in providing clearance to cut down trees to make way for the power line. The project is touted as the backbone of the electricity transmission system for the eastern region of Nepal.

The project being developed by Nepal Electricity Authority (NEA), the state-owned power utility, needs approval from the the Department of Forest to cut down 645 trees from the national forest and around 250 privately owned trees to erect towers and pull electric cables.

It has been more than a month since the project office forwarded the application seeking approval but the department has yet to forward the file to the Ministry for a decision. While the Ministry itself can give approval to cut down privately owned trees, it has to forward the application to the Cabinet to get approval to cut down the trees located in the national forest. The power utility was planning to complete the power line by the end of December but delay in cutting down the trees is likely to push back the completion date of the project which has already completed more than 90 percent of construction works.

"If we get the approval immediately, we will be in position to meet the completion deadline of December 2018. But if the Ministry delays in granting the project approval to cut down trees, it will push back the completion date," said Dipendra Raj Dwivedi, the NEA-appointed project chief of Kabeli Corridor.

The construction of the 132 kV double-circuit transmission line which is 90.2 km long and consists of 262 towers, is divided into three sections.

The first section stretching from Damak to Godak is complete. The project office needs to erect two towers in the third section stretching from Phidim to Taplejung while it needs to erect four towers in the second section extending from Godak and Phidim. Similarly, the project needs to pull electric cables on the 17-km long stretch.

The construction of the power line project which started a decade back was delayed by political instability, negligence of the contractor, obstruction by landowners, difficult terrain and delayed permission for cutting trees.

The power line project also faced a major hurdle at Siddhithumka, Deumai Municipality after locals refused to give right of way to string electric wires over their land. Locals of Siddhithumka had demanded 100 percent compensation for their land to provide right of way, obstructing the construction of 11 towers in the area. The NEA had offered a compensation rate of 10 percent of the land value for 9 metres of land on either side of the transmission line as per the prevailing law, but locals turned it down.

The dispute was resolved after elected local representatives convinced the residents not to obstruct development activities and offer right of way as per the prevailing law. Locals, NEA officials and local representatives reached a settlement during a meeting in March.

The power line will feed the power generated by hydroelectricity projects on the Kabeli, Hewa and Mai rivers in Panchthar and Taplejung into the national grid. The transmission line extends over various parts of Jhapa, Ilam, Panchthar, Tehrathum and Taplejung districts.

Source: The Kathmandu Post; 13 November 2018

## **Hedge fund delay threatens hydropower projects**

*BIBEK SUBEDI*

The government's inability to establish hedge fund, an insurance-like mechanism to cover the exchange rate risk, is affecting the progress of hydropower projects backed by foreign debt. The lack of hedge fund is mainly affecting 216MW Upper Trishuli-1 Hydroelectric Project pushing back its construction date. Almost a year ago, the NEA signed a PPA with Nepal Water and Energy Development Company (NWEDC) to develop the Upper Trishuli-1. As per the PPA, the power utility has to make payment in US dollars for the portion of the investment made with foreign loans. In order to mitigate exchange rate risks while making payment in US dollars, the developer and the NEA agreed to hedge the investment. In the absence of hedging service in Nepal, the project developer is unable to raise funds for the scheme.

"If the government fails to introduce the hedging service on time, we might have to abandon the project as we are finding it difficult to find lenders for the project," said a NWEDC source.

The hedge fund Nepal government plans is a kind of insurance to cover additional liability investors or the government may face due exchange rate fluctuations.

While introducing guidelines for dollar-denominated Power Purchase Agreement (PPA), the government included the caveat of insuring the foreign debt portion of the investment against exchange rate risks.

As per the same guideline, the government, the project developer and Nepal Electricity Authority, the sole off-taker of electricity in the country are required to allocate a certain amount of money to pay the premium. However, the guideline is not clear about the amount each party must contribute. This has confused many.

Due to this confusion, the government has not been able to set up the hedge fund although almost a year has gone by since the guidelines came into effect.

Nepal Rastra Bank (NRB), the central monetary authority the government assigned to prepare the terms to establish the fund, has already submitted its draft to the Finance Ministry. The ministry is unable to introduce the mechanism because the stakeholders that include the NEA and the project developers disagreed at a meeting called by the ministry.

The NRB mechanism requires the developer to contribute 50 percent of the premium. The developers opposed this saying this would significantly increase project cost.

A Finance Ministry official said it might take several months to set up the hedge fund.

Finance Ministry Joint Secretary Uday Raj Sapkota said, "The hedge fund is a complicated mechanism. It would take some time to establish it."

Source: The Himalayan Times; 14 November 2018

## **IPPAN condemns hydro licensing directives**

Private hydropower developers in the country have condemned a few provisions in the 'Directives on Licensing of Energy Projects - 2018' that was recently issued by the government..

The Ministry of Energy, Water Resources and Irrigation (MoEWRI) had amended and issued the directives to hydropower developers including the need for hydropower projects to be designed on the basis of Q45 (flow exceedence), on October 24..

"The change in the construction design from Q40 to Q45 will directly affect the early energy production of hydro projects," said Shailendra Guragain, president of Independent Power Producers' Association, Nepal (IPPAN)..

According to Guragain, if hydropower projects are constructed under Q45 design then the projects will not be able to utilise resources in an optimum manner and the energy cost will increase..

"The government did not consult with the private sector while preparing the guidelines and we strongly appeal to the concerned authorities to amend the aforementioned directives for the betterment of Nepal's hydro energy sector," he added..

The new provision is applicable for all projects that supply electricity to the central grid, according to the amended directives. However, this provision excludes the projects intended for rural electrification (not to be connected to the central grid)..

This recent step taken by the government will discourage investment in high-capacity projects, as per independent power developers..

"As the power plants need to be operated for a long period in rated capacity, the developer would have to lower the capacity of the plant to ensure full capacity operation for a longer period from the available water resources," Guragain stated..

Earlier, directives had allowed projects to be designed on the basis of Q40, which meant that projects needed to be operated at full installed capacity. As per experts, Q40 is the most feasible design for run-of-the-river (RoR) projects..

The RoR projects designed on the basis of Q40 have been easily operating their plants for around five months as the water level rises in the rivers during the wet season. However, as they have to operate the plants for a longer period under Q45, the capacity of projects would need to be lowered eyeing the hydrological capacity of such projects during dry season..

Speaking at a press conference today in the Capital, IPPAN Vice President Kumar Pandey, accused government of bypassing private sector and focusing more on importing power from India instead of promoting domestic investors..

Projects developed under Q40 design operate their plants in full capacity during wet season to meet the requirement because water discharge level goes down in snow-fed rivers in the dry season..

According to Nepal Electricity Authority's requirement, power plants need to supply only 15 per cent of the rated capacity in the period between mid-December and mid-March and this is the reason RoR-based projects are designed at higher capacity..

"The capacity of a 200-megawatt project designed on basis of Q40 will have to be readjusted to around 175 megawatts if we plan to design it as per Q45 as the power plant will need to be operated for a longer period through available water resources," said Pandey..



Source: My Republica; 15 November 2018

## **Hydro-mechanical work delay hits progress of Upper Tamakoshi**

### **Mega project is mulling over awarding Texmaco's remaining work to another contractor**

Officials of Upper Tamakoshi Hydropower Project are worried that delay in hydro mechanical works of the project by an Indian contractor will prevent it from meeting the construction deadline.

Frustrated with the work pace of Indian firm Texmaco, the project authority is mulling over assigning some of the hydro mechanical works to another contractor to ensure that the project is completed in time.

Project officials say that they expect the hydropower project of 456-megawatt capacity to start test generation by mid-July next year. The much-awaited project is expected to be a game changer for the country as the supply of the energy from Upper Tamakoshi is expected to end the reliance on Indian imports.

Nepal is currently importing over 350 MW of electricity during peak hours from India to meet the shortfall of energy.

As the delay by the Indian firm risks pushing the deadline further, the project officials are now considering to hand over remaining hydro mechanical works to another contractor of the project. The national pride project had awarded civil, hydro mechanical, electro mechanical and transmission line works to four separate contractors. Of the four contractors, the work progress of Texmaco has been very slow, according to the project officials.

Under hydro mechanical works, the Indian contractor should, among others, lay down pipes in the tunnel and the dam site. According to project officials, Texmaco has to install 197 big pipes in the tunnel something which is overdue.

Similarly, it is required to install 124 pipes of 2.5 meter diameter and 73 pipes of 5 meter diameter from the dam site to the powerhouse.

However, the contractor has been dawdling, citing various reasons. For example, it has been saying that it is facing difficulty in transport pipes due to delay in widening of Lamo Sanghu-Jiri road. It also maintains that some pipes are still being manufacturing in Kolkata, India.

The project is preparing to hand over the remaining hydro mechanical works to Andritz Hydro -- the electro mechanical contractor of the project. The company has already been assigned to carry out re-inspection of the pipes installed by Texmaco.

Bigyan Prasad Shrestha, chief of the project, said that they were considering assigning remaining works to another contractor to complete the project in time. "Almost all works are reaching the final stage. You can rest assured that the test transmission of electricity from this project will begin from mid-July next year and commercial generation of the electricity from mid-November next year," he said.

The cost of the project, which is being built by mobilizing domestic resources, is projected to reach Rs 49.29 billion, up from the initial estimate of Rs 35 billion. However, after adjusting interest payment, the cost will go up to Rs 70 billion, up from the initial estimate of Rs 47 billion.

The project has been paying interest up to 12 percent per annum for loans taken to build the plant.

Source: My Republica; 16 November 2018

## **Singatikhola hydel project reports 80% progress**

The under-construction Singatikhola Hydro Power project based in Dolakha district has reported around 80 percent progress. As stated by project chief Manhari Sapkota, the project tunnel's first 'breakthrough' was achieved on September 6. The Singati Hydro Energy Limited is constructing the project. The finishing works inside a tunnel towards a head had begun and works are left to dig out a tunnel on 900 meters towards the powerhouse along the 5915-meter headrace tunnel. It has been planned to complete the groundbreaking works of a major tunnel by coming mid-March. The project began some two years ago.

Similarly, around 60 percent powerhouse works have been completed and the project targets to finish the work by coming mid-April. If things go as planned, power generation would begin by coming mid-July. The estimated cost of the 25-megawatt project is Rs 4.63 billion. RSS

Source: The Himalayan Times; 10 November 2018

## **Electricity demand drops this Tihar**

The demand for electricity during *Tihar* this year decreased to 1,105 megawatts as compared to last year. As per data of Nepal Electricity Authority (NEA), 1,165 megawatts of electricity had been consumed during '*Laxmi Puja*' last year. This demand does not include the energy the industries utilise. According to NEA, the major reasons for the drop in electricity demand were the assurance made by the power utility of interrupted power supply, upgradation of the distribution system and other measures taken to control leakage.

“Credit also goes to the consumers as they have become more aware in better utilising electricity and have adopted various measures like using energy-efficient LED bulbs,” said Kul Man Ghising, managing director of NEA. He added that demand was also low as people have started using power-efficient household appliances.

At present, NEA has nearly 3.5 million household customers.

Meanwhile, NEA had forecast that during the *Tihar* festival this year the country would require 1,280 megawatts of electricity. “We were in a comfortable position to meet the demand that we had forecast for this year. In 2017, during *Tihar* we had forecast demand for electricity to stand at 1,350 megawatts,” informed Ghising.

Furthermore, NEA has said that in recent times it has started focusing on upgrading the transmission lines and distribution system. The power utility has also been concentrating on timely maintenance of substations across the country. As per NEA, due to these aforementioned reasons there has been efficient supply of energy and thus electricity which used to be lost because of various forms of leakage has been saved.

As per Ghising, NEA was fully prepared to manage demand for 1,500 megawatts of electricity this *Tihar* including industrial consumption. “The electricity generated by NEA-owned projects, private power producers and the imported power from India was enough to meet the demand.” Meanwhile, NEA has said that the level of water in rivers across the nation has dropped and electricity generated by run-of-the-river type hydropower projects has decreased. Hence, the country will have to depend on energy imported from India to meet national demand in the winter season.

According to Ghising, this year it has not been necessary for NEA to operate the Kulekhani reservoir project due to sufficient electricity. Currently, the water level at Kulekhani has reached 1,226 metres. “We have the option to utilise Kulekhani reservoir hydropower project, which acts like a battery back-up for Kathmandu Valley, but till date we have not had to use it.”

At present, the hydropower projects owned by NEA can generate up to 480 megawatts and projects operated by independent power producers can generate up to 370 megawatts of electricity during peak hours. Likewise, import from India has also reached 450 megawatts through the cross-border transmission lines.

Source: The Himalayan Times; 13 November 2018

## **IPPAN condemns hydro licensing directives**

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The new provision is applicable for all projects that supply electricity to the central grid, according to the amended directives. However, this provision excludes the projects intended for rural electrification (not to be connected to the central grid).

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“As the power plants need to be operated for a long period in rated capacity, the developer would have to lower the capacity of the plant to ensure full capacity operation for a longer period from the available water resources,” Guragain stated.

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