

Source: My Republica/The Rising Nepal; 5 Jan 2019

Repair of fire-damaged Trishuli Hydel center begins

Repair of the power house of the Trishuli Hydropower Center destroyed in a fire has started.

An 18-member team of technicians and officials from the centre has been assigned to repair the house, said the centre chief Taradatta Bhatta, adding that it will take at least a week to complete the repair. "Repair is expedited by dividing the team into two groups."

The 14-Megawatt Devighat Hydropower Center and the 21-Megawatt centre came to a halt after the fire destroyed the power house on Wednesday evening.

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Source: The Kathmandu Post; 8 Jan 2019

Developer threatens to pull out from Nepal over hedge fund row

BIBEK SUBEDI

Nepal Water and Electricity Development Company (NWEDC) threatened to pull out from Nepal after the government asked it to contribute a hefty sum to a hedge fund to be used as a cushion against exchange rate risks. A hedge fund is an insurance like mechanism that helps to mitigate the risk of additional liability arising from fluctuations in foreign exchange rates.

Sources close to the Korean joint venture company, which is the potential developer of the 216 MW Upper Trishuli-1 Hydroelectric Project, told the Post that it wouldn't execute the project if it was forced to give half of the fund.

"They say that if they contribute what the government is asking, the cost of the project will swell and make it unbankable," a source said. "As per the developer, the initial agreement was to contribute only a nominal amount to the fund."

When the Nepal Electricity Authority signed a power purchase agreement (PPA) with NWEDC a year ago to purchase the electricity generated by the project, the state-owned power utility agreed to pay in US dollars for a period of 10 years or until the portion of the investment made with foreign loans is recovered by the developer, whichever comes first.

In order to mitigate exchange rate risks while making payment in US dollars, the electricity authority and the Korean joint venture also agreed to hedge the investment by creating a fund with both parties contributing to it. However, the pact doesn't say how much the developer is required to contribute.

The Finance Ministry, which is the designated authority to create the fund, is asking NWEDC to contribute half the amount. According to the electricity authority's estimate, it will be exposed to a foreign exchange risk of around \$300 million if the exchange rate of the US dollar rises at 3 percent annually. Therefore, as per the ministry, the developer has to contribute \$150 million to the hedge fund.

The developer, according to a highly placed source at the electricity authority, is ready to contribute only \$5 million to the fund. "We are not in a position to accept NWEDC's proposal. Without a significant contribution from the company, we will be exposed to unmanageable foreign exchange risks," said the source. "We are in talks with the developer and Finance Ministry officials to reduce its contribution."

Experts said the electricity authority should pass on the cost to the consumer instead of asking developers to contribute hefty amounts to the hedge fund. "As newly-formed Nepal Electricity Regulatory Commission will be fixing the retail price of electricity, it should consider the exchange rate risk that the power utility is exposed to while setting the tariff," said Semanta Dahal, a lawyer who advises the government on infrastructure projects. "If the Nepal Electricity Authority is allowed to pass on the foreign exchange risk it is exposed to while purchasing electricity from foreign developers to its customers, the current problem will be solved."

Source: The Kathmandu Post; 10 Jan 2019

Andritz to install penstock pipes at Upper Tamakoshi

BIBEK SUBEDI

Texamo Railway Engineering, the Indian contractor for the hydro-mechanical portion of the Upper Tamakoshi Hydropower Project, has subcontracted a crucial part of its job to Austrian firm Andritz Hydro so that the much delayed project can be completed within the revised deadline of November 2019.

A tripartite agreement to this effect was signed Monday between Texamo, project owner Upper Tamakoshi Hydropower Company and Andritz. As per the pact, the Austrian firm, which is currently implementing the electro-mechanical portion of the project, will also perform some of the critical hydro-mechanical tasks that were originally contracted to Texamo. Andritz will install a major part of the high pressure steel penstock pipes at the 456 MW power plant being developed in Dolakha district, according to Bigyan Prasad Shrestha, the government appointed project chief of Upper Tamakoshi Hydropower Company. "While signing the agreement, both contractors pledged to complete the construction of the power plant by November 2019," said Shrestha. "Also, we do not have to bear any additional financial burden as the Indian contractor will make payment to the Austrian contractor." Upper Tamakoshi convinced Texamo to reassign the crucial task of installing the penstock pipes to the Austrian contractor after delays by the Indian firm in implementing the hydro-mechanical portion threatened to push back the completion date of the already much delayed power project. The penstock pipe conveys water from the reservoir to the turbines to generate electricity, and fitting such pipes is considered to be one of the most challenging tasks of the hydro-mechanical component.

The 456 MW national pride project plans to start commercial generation of electricity by mid-November 2019 after revising its completion deadline for the third time. The project has faced cost overruns due to the delay. It 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 model project which is being developed with domestic resources and a high level of participation by project-affected locals and the general public.

Upper Tamakoshi is a strategic project designed to end the country's perennial power crisis. After the Upper Tamakoshi roars into life, Nepal is projected to have surplus energy at least during the wet season, and the Nepal Electricity Authority, the state-owned power utility which is the sole off taker of power in the country, will be in a position to export electricity to neighbouring India.

During the wet season, surplus energy can be transmitted over the Khimti-Dhalkebar transmission line to the Dhalkebar substation, and on to the Dhalkebar-Muzaffarpur cross-border transmission line for export to India.

Source: The Kathmandu Post; 10 Jan 2019

Kabeli power line project receives forest clearance

The Kabeli Corridor Transmission Line Project has received forest clearance, allowing it to begin construction of the remaining 13 km of the 90.2-km power line which is touted as the backbone of the national grid in the eastern region.

According to the project office, the provincial government has directed the forest office of Panchthar district to allow the project to cut down the trees that lie on the power line alignment. "We expect to receive approval from the district office within a few days," said project chief Dipendra Raj Dwivedi. "We will start chopping down the trees immediately after we get the okay."

The project being implemented by the Nepal Electricity Authority needs to cut down 645 trees in the national forest and around 250 privately owned trees to pull electric cables. The project office needs to erect two towers and pull cables over a 13-km stretch to complete the transmission line project which consists of 263 towers. "It will take us a couple of months to complete the remaining construction work," said Dwivedi.

The construction of the 132 kV double circuit transmission line that extends across Jhapa, Ilam, Panchthar, Tehrathum and Taplejung districts started a decade ago. It got bogged down by delays due to negligence of the contractor, obstruction by landowners, difficult terrain and belated permission for cutting trees.

Privately owned Hewa Khola Hydropower Project is losing out on Rs200 million in revenue annually as it can't feed its entire production into the national grid due to the incomplete transmission line. The 15 MW plant located in Panchthar in eastern Nepal produces electricity worth Rs450 million annually, but its entire output cannot be transferred to the national grid over the existing 33 kV power line.

The developer has complained about having to incur heavy losses due to the holdup in the construction of the power line. The project faced a major hurdle at Siddhithumka, Deumai Municipality after locals refused to give right of way to string electric wires over their land. They were demanding 100 percent of the land value as compensation for easement rights, and obstructed the construction of 11 towers in the area.

The state-owned power utility had offered 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 local representatives convinced the residents not to obstruct development activities and provide right of way as per the prevailing law. Locals, utility 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.