

Source: The Kathmandu Post, February 17, 2019

Kulekhani-3 project misses deadline for sixth time

- *Construction began in 2008 and was expected to be done by 2012*

- BIBEK SUBEDI, general view of

The much awaited Kulekhani-3 Hydropower Project has again missed its completion deadline of January 2019 due to the dillydallying by a Chinese contractor hired for the job. This is not the first time that the 14MW power project has missed the completion deadline which was revised multiple times due to the slow progress of Jheijian Jialin Company—hired for the hydro and electro mechanical works.

The project's completion deadline has been extended six times since construction began in April 2008. It was originally scheduled to be finished by 2012.

Although Sino Hydro—another Chinese contractor hired for the civil work—has completed its job, the Nepal Electricity Authority (NEA) owned project failed to start the trail production in January as earlier planned.

Now, the project office is planning to start the trail production by mid-March. Subash Mishra, the project chief of the Kulekhani-3, however, is not sure if they will be able to meet the new deadline although only 10-12 percent of the electromechanical work needs to be done.

“We can't fire the Chinese contractor as no other contractor will be interested in finishing up the remaining work. Additionally, Jheijian Jialin has already purchased all of the electromechanical equipment to be installed at the power plant and another contractor will not take the guarantee of such equipment,” said Mishra. “We are trying our best to make Jheijian Jialin complete the work by the next month.”

According to Mishra, the project office is planning to start filling the tunnel with water within a week and begin testing the different structures and equipment.

Similarly, construction of a track and other related infrastructure to access the powerhouse has already been completed. The construction of a 129-metre bridge over the Rapti River, one of the key components of the project, was completed nine years ago.

The project will produce electricity by utilising the tailrace water from the Kulekhani II Hydropower Project and water from local rivers. The water will be channelled through a 4-km-long tunnel to the powerhouse to turn the turbines. According to the Nepal Electricity Authority, the electricity generated by the project will be fed into the national grid by extending a half-kilometre-long transmission line from the powerhouse.

The Kulekhani III Hydropower Project is being constructed with domestic investment. The project has encountered cost overruns due to delays, and the developer has spent double the amount of money originally estimated. The initial estimated cost of the project was Rs2.43 billion. It has now ballooned to Rs5 billion.

In May 2014, the National Planning Commission declared Kulekhani III a troubled project. Initially, the project had estimated that the construction cost per megawatt of power would reach Rs173.6 million. As per the revised estimate, it is expected to reach Rs310 million per megawatt.

Source: My Republica, February 17, 2019

NEA, Jal Urja sign PPA

KATHMANDU, Feb 16: Nepal Electricity Authority (NEA) and Jal Urja Pvt Ltd have reached Power Purchase Agreement (PPA) on Friday.

Deputy Executive Director of NEA, Jagadishwar Man Singh, and Executive Director of Jal Urja, Abhaya Joshi, signed the agreement on behalf of NEA and the promoter group, respectively.

Located in the Marma Rural Municipality of Darchula district, the project has a total 1000 KW generation capacity. The project is expected to be completed in three years. The project is promoted by various banks and financial institutions and local people.

Source: The Kathmandu Post, February 18, 2019

Bagmati Hydro project to begin test operation by mid-March

- PRATAP BISTA, Hetauda

The 22-megawatt Bagmati Hydroelectric project in Makwanpur is slated to begin trial production by mid-March, four years after the construction started.

The project said that 99 percent of the civil and electromechanical works of the project have been completed.

The project had initially planned to generate electricity by mid-November last year, but the deadline was postponed due to a delay in installing the penstock pipe. The penstock pipe is a long channel that carries water down from the hydroelectric reservoir to the turbines inside the power station.

“Only 7 metres, out of a total 600 metre pipe installation is left, which will take more than a week to complete,” said project engineer Shishir Devkota.

The project—a joint venture between Mandu Hydropower Company and a Chinese company—is being constructed with an investment of Rs4 billion.

Ratna Bomjan, residential engineer of the project, said that penstock works halted due to rainfall. “It’s also at a risky site.” He said that 99 percent of the civil and electromechanical works of the project have been completed. The main tunnel of the project is 2,424 metre long.

Around 100 workers are currently working at the powerhouse site.

Started in 2015, the project will be the first one to produce electricity from the Bagmati River that flows from the Kathmandu Valley.

The South Asian Infrastructure Company is constructing the civil components such as tunnel, dam and power house worth Rs1.29 billion.

The construction works was expedited with support from the local representatives, said Bomjan.

“We are expecting to begin commercial production in time and sell it to the Nepal Electricity Authority,” he said. As per the power purchase agreement signed between Mandu Hydropower and the authority, the project will sell electricity at Rs4.40 per unit during the rainy season and Rs8.40 in winter or dry season.

The electro mechanical works of the project have been assigned to a Chinese company. The power generated by the project will be linked to the national grid through the sub-station of Kulekhani I hydropower project in Dhorshing. The station is 13km away from the powerhouse. According to the project, 44 power line towers have already been erected to evacuate the electricity from the project to the national grid.

Locals are happy with the construction of the project. They are also helping to complete the project on time.

The company said it would be allocating shares to the locals affected by the project in villages such as Ipa Panchakanya, Sisneri, Kogate of Makwanpur and Malta and Dhusel of Lalitpur.

Source: The Himalayan Times, February 18, 2019

Tanahu hydel to terminate contract with CMC

Nepal Electricity Authority (NEA), the state-owned power utility, has initiated the process of terminating the contract with Co-operativa Muratori e Cementisti (CMC) di Ravenna after the Italian firm abandoned the 140-megawatt Tanahu Hydropower Project.

Earlier, the Melamchi Drinking Water Project had also terminated the contract with CMC after representatives of the Italian company left the country without completing the work.

“We had given a 28-day deadline to the Italian company to return to work. But it did not contact us till the deadline on Friday,” said Pradeep Kumar Thike, managing director of the Tanahu Hydropower Project, an undertaking of NEA.

“The termination process has already started,” he said. “We will send the project termination letter to the company soon.”

Thike, however, said that consultation will be held with the Asian Development Bank (ADB) and European Investment Bank (EIB), which are financing the hydropower project, before the contract termination letter is sent to the Italian company. “We have already started holding discussions on this issue with the ADB and the EIB to sort out the matter at the earliest,” Thike said.

Once the contract is terminated with the Italian company, the project will restart the procurement process. The project had hired CMC to divert the flow of the river, build dam and complete head works. CMC was selected as the preferred bidder as it had made the lowest bid of Rs 20.64 billion.

The project has hired Chinese firm, Sinohydro, to build the tunnel and power house of the storage-type project. The Chinese company will also import hydro-mechanical and electromechanical equipment and assemble them. The Chinese firm has agreed to complete all the work at Rs 3.83 billion.

The total cost of the project is estimated at \$506 million, of which the Manila-based Asian Development Bank will provide \$150 million, Japan International Cooperation Agency will contribute \$184 million, European Investment Bank will give \$85 million and NEA will chip in \$87 million.

Source: The Kathmandu Post, February 20, 2019

Tanahu Hydropower Limited terminates Italian group's contract

- BIBEK SUBEDI, Kathmandu

Following the footsteps of Melamchi Water Supply Development Board, Tanahu Hydropower Limited — the developer of Tanahu Hydropower Project — has terminated the contract signed with Cooperativa Muratori e Cementisti di Ravenna (CMC), the Italian contractor appointed to execute one of the components of the power plant. The project developer on Tuesday dispatched the termination letter to the Italian contractor after it failed to mobilise the work force at the project site despite repeated directions from its employer.

Tanahu Hydropower Limited, the wholly owned subsidiary of Nepal Electricity Authority (NEA), the state-owned power utility in October selected CMC to execute an important component of the \$550 million plant located in central Nepal. Subsequently, the project developer gave the contract commencement letter to the Italian firm, asking it to send workers to the construction site and start work by February 11, 2019. However, the CMC refused to comply with the commencement date given by the employer and asked it to release the advance payment first.

The project developer, according to its Managing Director Pradeep Kumar Thike, couldn't release the advance payment as the Italian contractor didn't submit the full bank guarantee to qualify for such payment. "Therefore, we had no other option but to send the contract termination letter to the CMC," said Thike. "Now, we will initiate a new process to appoint another contractor for the job."

Another source at the Tanahu Hydropower told the Post that the Italian contractor had no intention to start work since the day it won the contract. "Therefore, our board of directors directed the management to terminate the contract," said the source.

The CMC ran into serious liquidity problems after Tanahu Hydropower signed a contract with the Italian and Chinese firms for the two packages of the hydropower plant.

The recent development means a delay in construction of the 140MW storage type project, which has been divided into two components with a contractor for each package. Although Sinohydro Corporation, the Chinese contractor hired to execute the hydromechanical and electromechanical works under the second package of the project has already mobilised the workforce at the project site, the construction of the entire project will be affected as the tasks of the two contractors are interrelated.

As hiring a new contractor will take at least six months, the construction of the project will be seriously affected, according to sources at the Tanahu Hydropower Limited.

The Tanahu Hydropower Project will be one of the biggest reservoir-type projects in the country, with an estimated annual energy generation capacity of 587.7 gigawatt hours in the first 10 years of operation. The project can generate energy for six hours daily during the dry season. Tanahu Hydropower is developing the project using a credit facility extended jointly by the Asian Development Bank, Japan International Cooperation Agency and European Investment Bank. The project is estimated to cost \$550 million.

Source: The Himalayan Times, February 18, 2019

‘Nepal-India-Bangladesh trilateral PPA on cards’

REWATI SAPKOTA

Minister of Energy, Water Resources and Irrigation Barsha Man Pun today said the government expected a trilateral Power Purchase Agreement between Nepal, India and Bangladesh on the Upper Karnali Hydropower Project during the upcoming investment summit slated for March 29 and 30.

Addressing a question-answer session in the House of Representatives, Pun said the agreement would facilitate export of 500MW energy generated from the 900MW Upper Karnali project to Bangladesh.

During his visit to India last week, Pun had held meetings with his Indian counterpart, and officials from India’s Power Trade Company and GMR, the Indian company developing the project. “Indian authorities have expressed commitment to sign the PPA during the investment summit,” he said.

Pun said he also floated an alternative proposal in Delhi that if GMR was not able to develop the project, Nepal government would build it by allocating shares in the project to GMR equivalent to its investment so far. “Locals are expressing frustration over delay in the project construction, and we are also feeling the same. We do not want to delay the project any more,” he said.

Following Nepal Investment Board’s inquiry, GMR had, on January 23, submitted its progress report, seeking a one-year extension for the project’s financial closure. It said in the progress report that PPAs with Bangladesh and India’s Haryana state government (300MW) would be done in the next two months.

Pun said he told Indian authorities the PPAs should be signed during the summit. “The Indian side told me the draft PPA to be signed between GMR and Bangladesh government was in the final stage and that they were ready to sign a trilateral agreement, including Nepal,” he said.

Nepal-Bangladesh Joint Steering Committee meeting held in Kathmandu on December 4 had decided that Bangladesh would buy electricity from the project. “Haryana government has agreed in principle to buy 300MW electricity from GMR,” Pun said.

GMR has been holding the project since 2006 when it won the contract through global bidding. As per the contract agreement, Nepal Electricity Authority will get 108MW energy for free and 27 per cent equity share.

Detailed Project Report, Environment Impact Assessment, and EIA for transmission line have already been endorsed by Nepal government. The government has also paved the way for the project to acquire the required land, and a rehabilitation and resettlement programme for those to be affected by the project has already been made public. Of the total 49 hectare of private land required, the project has already acquired 7.4 hectare.

Pun said Nepal had already started exporting surplus energy to India under the energy banking system. He said the exports amounted to Rs 160 million so far this fiscal, while last year’s exports stood at Rs 70 million. “We will export energy worth billions of rupees from next year after Upper Tamakoshi project starts generating 456MW electricity. We are not very far from becoming self-reliant in energy. We will export our surplus energy to whoever gives better price among India and Bangladesh,” said Pun.

Nepal will have energy surplus in the rainy season and face shortage in the dry season, while it is the opposite in India and Bangladesh. “We can buy energy at cheaper rates in winter, and sell at higher rates in rainy season. No energy will be wasted,” he said.

He said the government was working to ensure generation of 3,000MW energy in the next three years, and complete projects generating 5,000MW in five years. The government plans to generate 15,000MW in 10 years. “We are planning to invest Rs 3 trillion to complete the projects. We will raise the funds from the general public, foreign investors and loans and grants,” he said.

Source: My Republica, February 19, 2019

Incumbent govt to complete Pashchim Seti Hydropower: PM Oli

DADEL DHURA, Feb 19: Prime Minister KP Sharma Oli has said that the Pashchim Seti Hydropower Project will be constructed during his premiership.

While inaugurating the Nepal Electricity Authority (NEA) Syaule 132-33-121 KV substation in Amargadhi Municipality-1 Dudhkande today, Prime Minister Oli committed to addressing the problem of electricity, road infrastructure, education, unemployment among other issues in the province.

PM Oli reiterated to construct bridges over various rivers in Dadeldhura district.

Similarly, speaking in the same programme, Minister for Energy Barsha Man Pun, Minister for Physical Planning and Infrastructure Raghu Bir Mahaseth and Chief Minister of Sudur Pashchim Province, Trilochan Bhatta opined for making the province prosperous through infrastructure development.

Source: The Himalayan Times, February 22, 2019

Network to promote women in energy industry

Women's skills account for a small part of job in energy sector

The Women in Power Sector Professional Network in South Asia (WePOWER) was launched today in Kathmandu to promote more female practitioners in the region's energy and power sector.

WePOWER aims to support participation of women in energy projects and institutions, and promote women in science, technology, engineering and mathematics education, said a statement issued today by the Manila-based Asian Development Bank (ADB), a partner of the WePOWER.

The first regional conference of WePOWER opened today with 150 attendees, including representatives of energy sector utilities and public agencies involved in projects, technical universities, women engineers, and students. The two-day event is co-hosted by the World Bank Group and the ADB.

“WePOWER is closely aligned with ADB's broader long-term commitment embodied in its long-term Strategy 2030 to remove constraints that women face in finding more and better jobs,” the ADB statement quoted its Principal Social Development Specialist Francesco Tornieri as saying. “Although this applies to all sectors, we see the energy sector as one of the most challenging.”

Energy access and infrastructure development are critical elements in South Asia's development.

An ADB series of Gender Equality Diagnostic studies on the energy industry in South Asian countries has found that women's skills and perspectives account for a small part of job and decision-making by energy sector agencies. Gender diversity in technical and senior managerial positions is also visibly lacking.

Moreover, an assessment conducted by the World Bank in eight South Asian countries found very low female enrolment rates in engineering programmes (ranging from 0.5 per cent to 31 per cent), low female staff representation in utilities (two per cent to 17

per cent), and an even lower percentage of women in technical roles in utilities (0.5 per cent to six per cent). The studies identified the need for role models and family support, absence of basic facilities and transport, and presence of various forms of discrimination and harassment.

WePOWER envisages to become a vibrant and self-sustaining professional network backed by strategic partners that can provide technical and financial support. Its work programme will focus on five strategic areas—education, recruitment, development, retention, and policy and analysis.

WePOWER will provide capacity building support, networking, and mentorship for women engineers for career advancement, research to reform policies and practices, exposure to technology, recruiting opportunities, and access to information and conferences.

Source: The Himalayan Times, February 21, 2019

IBN to extend U-Karnali's financial closure deadline

The Investment Board Nepal (IBN), a government entity, is preparing to extend the financial closure deadline of 900MW Upper Karnali Hydropower Project, an export-oriented project being built by an Indian firm.

This is the third time the project's financial closure deadline is being extended. Financial closure guarantees that a developer has secured adequate funds to build a project.

The last financial closure deadline of the project had expired on September 18. Since then the IBN has not taken a formal decision to extend it, although the developer has formally requested the Nepali authority to do so.

“The project developer is close to signing the power purchase agreement (PPA) with Bangladesh.

We are hoping the deal will be sealed before the Investment Summit schedule to be held in Kathmandu from March 29-30,” said IBN CEO Maha Prasad Adhikari. “Once the pact is signed, the project's viability will go up, helping the developer to reach the financial closure. This is the reason why we are positive about extending the financial closure deadline.”

The project is being developed by Grandhi Mallikarjuna Rao (GMR), an Indian firm.

On February 11, Minister for Energy, Water Resources and Irrigation, Barsha Man Pun, had discussed with RK Singh, minister for new and renewable energy of India, a wide range of issues related to bilateral cooperation in the energy sector, including construction of Upper Karnali hydel project. As per the ministry secretariat, GMR officials, who were present at the meeting, had requested Nepal to extend the financial closure deadline by a year. During the meeting, GMR officials had expressed commitment to sign the PPA with Bangladesh before the Investment Summit going to be held in Nepal.

Earlier, the government had said it would sign trilateral pact on power trading agreement with India and Bangladesh. During the Nepal-Bangladesh Joint Steering Committee meeting held in Kathmandu on December 4, Bangladesh had agreed to buy 500 megawatts of electricity from the Upper Karnali Hydropower Project.

The Haryana government has also agreed in principle to buy 300MW electricity from the hydel project.

Source: The Rising Nepal, February 22, 2019

Energy Minister Pun inaugurates 132-KV sub-station

Bardiya, Feb 21: Minister for Energy, Water Resources and Irrigation, Barshaman Pun, has inaugurated 132 KV sub-station at Bhurigaun of Thakurdwara municipality in Bardiya today.

On the occasion, Minister Pun said that the Bright Nepal Campaign has been moved ahead by illuminating Bardiya.

He said that embankment is going to be constructed by incorporating Ambasa river in the Babai, Bhada and Aurahi rivers control project to control flood in the district.

The Energy Minister further said that around 70 sub stations are going to be constructed across the country and tender has already been called for the construction of 2,200 bridges.

Source: My Republica, February 22, 2019

Public not getting promised returns from hydropower companies, say investors

Rudra Pageni

KATHMANDU, Feb 22: Work at the Upper Tamakoshi Hydropower Project (UTHP) remained standstill for about a year due to non-performance of an Indian contractor. The mega infrastructure project, which is being built by mobilizing domestic resources, is in the last leg of construction now.

The project's cost has nearly doubled to Rs 70 billion, including Rs 20 billion earmarked to pay high interest rates. There are some valid reasons behind cost and time overruns due to earthquake and Indian blockade though.

The general public have invested nearly Rs 10.59 billion in this project. But cost overrun is sure to eat into much of the project's earnings. The project had promised internal rate of return of 15 point when construction works began. However, it has now come down to 11 percent.

Upper Tamakoshi is just a case in point. General public, who have invested in over two dozen hydropower projects, are not earning what they were promised.

Many companies present lofty projections in their financial reports while launching initial public offering (IPO). Profits of several hydropower projects, which were said to be lucrative when construction works commenced in 2011, are getting lower now. Share prices of these companies are near the face value of Rs 100 per unit in the secondary market. However, there are some exceptions like Chilime Hydropower Company Limited and Sanima Mai Hydropower Limited which are giving good returns to investors.

A total of 24 hydropower companies have been listed on Nepal Stock Exchange (Nepse) for trading. But these companies are earning very little, putting investment of general public at risk, say investors.

Experts in hydropower sector say that very few companies are credible and are practicing good governance and transparency. It is an open secret that the costs of these projects are highly inflated due to corruption and mismanagement. However, general public are kept in dark.

Though Electricity Regulatory Commission Act was enacted in April last year, the government has not been able to form Electricity Regulatory Commission yet. Interestingly, the law was drafted after a decade of the government's announcement to form the commission.

The bleak investment scenario in hydropower sector is contrary to a general perception that hydropower is a lucrative sector and anyone can get good money by investing their money in this sector.

Amid this uncertainty, the government last week launched a program to mobilize funds of general public for hydropower development. But the program makes little sense to investors. The government has floated as many 19 projects to mobilize domestic resources, but the announcement lacks clarity.

Investors say they have repeatedly asked Minister for Energy, Water Resources and Irrigation Barshaman Pun, executives of Securities Board of Nepal and Nepal Stock Exchange to form a regulatory agency for hydropower sector at the earliest. But their demand seems to have fallen on deaf ears.

Stakeholders see the need for a strong regulatory body in the hydropower sector like Nepal Rastra Bank in banking sector and Beema Samiti in insurance sector.

Chhote Lal Rauniyar, vice-chairman of Nepal Investors Forum, said that billions of rupees poured in the hydropower projects are at risk in the absence of regulation of hydropower companies. “The government should do necessary homework before asking people to make investment as they may not invest if the company’s projected financials are weak,” Rauniyar, who has investments in hydropower projects, including Chilime, told Republica.

Investors say the 19 projects floated by the government are at a very early stage of development. “If investors do not know about project cost and rate of returns, how can they make investment?” Kumar Pandey, vice-chairman of Independent Power Producers Association, Nepal, questioned.

The new government announcement is similar to the one floated by former energy minister Janardan Sharma. That time also, the government asked people to make investment commitment without even identifying any project, say investors. Nobody knows about the investment commitment that people made at that time, they added.

Arjun Gautam, chief of Investment Department at Employees Provident Fund, said it is too early to be optimistic about investing in hydropower projects. “Announcements alone do not make people confident. There should be guarantee of market for generated electricity and specified internal rate of return, among others,” he added.

EPF has financed Upper Tamakoshi Hydropower Project.

Executives of IPPAN say that the government announcement came with a motive of discouraging private sector. “We have long been demanding a level playing field in hydropower sector,” added Pandey.