

# WINTER 2002 IPPAN NEWSLETTER

## IPPAN'S VISION, MISSION, GOAL & PURPOSE

- to contribute to the development of Nepal's vast untapped hydropower potential, in line with Nepalese aspirations.
- to help to mobilize private capability, both national and international, to overcome the constraints confronting hydropower development.
- to make optimal use of Nepal's water resource endowments, to serve long-term national and regional needs in the context of future freshwater and energy scarcity.
- to disseminate information on hydropower development, current activities and experiences in Nepal and elsewhere.

## MORE *more...*

- Interview with Mr. Dikendra Kandel, Chairman, LEDCO-2 Syange Hydropower Project -2
- New Hydropower Policy -3
- Maoist Insurgency .... -3
- Nepal Development Forum -3
- Hydro Lab News- 3
- Mailun Hydropower Project -3
- News from Upper Bhote Koshi-4
- Upper Marsyangdi -2 (UMS2)-4
- Sanima Hydropower-4
- CIRDAP Council meeting-4
- Eleventh SAARC Summit-4

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## IPPAN Celebrated its First Anniversary

The Independent Power Producer's Association of Nepal (IPPAN) celebrated its First Anniversary on 17<sup>th</sup> January 2002 in presence of representatives from independent power developers and other hydropower professionals.

One of the topics of discussion was the HMGN existing Legal and Regulatory provisions. Members agreed that IPPAN should be aware of the legal and regulatory provisions currently enforced and also those being formulated. IPPAN also seeks to be recognized by the government and the concerned agencies as a party in the making of these provisions.

During the Anniversary meeting lengthy discussion, members of IPPAN have set up the following plan of action:

1. Inform HMGN and related Departments, INGOs, NGOs, Donor, Lenders and all

concerned with Hydropower and water related activities regarding IPPAN's field of activities expressing willingness to participate in all Spectrum of power development.

2. Create an "active voice" with the Government on certain deterrent clauses for necessary amendments in the Legal and Regulatory Provisions by :

- collecting information on experiences of all IPPs (big and small) and individuals on the various constraints they have been facing in the implementation.

- Compiling relevant information on the commercial provisions on Energy Development and Trade available within the country, SAARC and beyond.



## Dhaka Conference

Dr. Sandip Shah, President of IPPAN, attended the 2-day conference at Hotel Pan Pacific Sonargaon in Dhaka, Bangladesh on January 29 and 30, 2002 for the launch of the South Asian Regional Energy Coalition (SAREC). SAREC is sponsored by the US Chamber of Commerce with the vision to promote energy cooperation within the South Asian Region. In this context, SAREC is involving the apex Chambers of Commerce and Industry of the regional countries for development and promotion of energy interchange projects in the region. SAREC has requested IPPAN to join the Technical Advisory Committee; a letter of interest to this effect has been forwarded by IPPAN to the SAREC head office in Washington D.C. Approval of the membership is anticipated shortly after discussions among the Advisory Committee Members of SAREC.



LEDSCO has completed Syange Hydropower Project. Commercial production of electricity has been started from Magh 10th 2058. Syange Hydropower Limited has been registered as public company with Authorized capital Rs. 2 Corer and Issued Capital Rs. 1 Corer 90 Lakhs.

1191429 units of Electricity generated from the Plant will be sold to the NEA grid annually and will be distributed to the local community.

## The Government should be moving ahead towards transparency

1. How do you look at the present scenario of Hydropower Development in Nepal?

The possibilities are good. However, there is some confusion regarding policy issues that arise from sporadic comments made by policy makers and administrative procedures. These problems can be sorted out if more serious thought is given by people involved in the sector

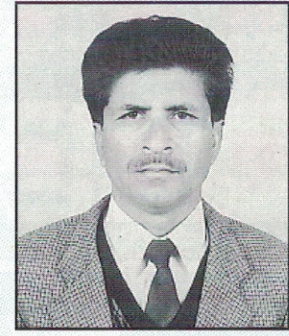
2. Could you tell us about the Khudi Hydropower Project? How was it initiated? And when?

First of all, LEDSCO, which is promoting the Khudi Project, is a very participatory and grassroots based company. Khudi as a commercial project is expected to realize the goals of a people-owned company like LEDSCO. The study of Khudi was carried out jointly with the Canadian company Hydro International; this is now in the implementation stage. Construction is due to start in January 2002, with completion in two years' time.

3. Are you satisfied with the financing process so far?

Things are going well, but we had some difficulties in resolving the PPA issue. NEA had stated in its declared policy and during meetings with our Canadian partner that foreign Joint Venture projects would be able to claim up to 50% of PPA payment in foreign currency. In fact we were not in a position to claim that percentage, as we wanted to set a realistic precedence in foreign investment in the sector.

Our Canadian partner was disappointed to find out that NEA had changed its policy without any public announcement and also against what they had heard from key officials. This came to them as a surprise after they had already undertaken a significant amount of cost sharing with us.



Mr. Dikendra Kandel  
Chairman, LEDCO

LEDSCO was founded with a belief in participatory strength, and we have developed other small projects with all domestic resources. While when it comes to bigger projects with more techno-financial input, foreign participation is deemed useful. The Government should be moving ahead towards transparency than seeming to be stepping backward. Hydropower is regarded as the most important resource for Nepal, so problems with clarification or compliance concerning policies on the part of the government and our domestic stakeholders can have serious implications.

4. How you compare your price with others?

Obviously, we would not develop the project if the PPA price were not satisfactory. Bigger projects may have a different scenario compared to Khudi, but the existence of clear government policy on foreign investment seems important to develop the sector. Perhaps we tend not to give enough thought and debate over things that have already been settled and are probably irreversible. This affects not only this industry but others as well.

5. Is there anything else that should be addressed?

We know only less than 15% of the people of Nepal enjoy the benefits of electricity. In addition, there is insufficient reliability in the supply of electricity. With this much talked-about potential of hydropower, where is the logic of NEA seeming to say that they have excess supply? Should not a more effective industrial and financial mechanism be set up, so that we can really make use of our hydropower potential? This will involve bringing distribution networks to new areas, also with industrial potentials. Surely this is an urgent matter.

## New Hydropower Policy

It is learnt that the revised policy, national strategies and plans of HMGN- New Hydropower Policy are in advanced stage for approval. Study on possible negative implications of

these to the private power producers is undergoing. IPPAN intends to take opportunity to raise and incorporate its concerns to the concerned Ministry in due course of time to minimize adverse impact on IPPs.

### Mailun Hydropower Project about to start

Mailun Hydropower Project is a run-of-river HP scheme drawing water from Mailun Khola, a tributary of Trisuli-Ganga river in Rasuwa district. The project has been conceived by Molnia Power Pvt. Ltd. and will be constructed by the same company. Molnia Power Company has signed a PPA with NEA for the annual purchase of 37.5 GWh of energy produced by the 5 MW plant. Construction at the site is to begin soon.

Under the PPA, NEA will pay Rs. 4.25 per unit of electricity during the dry season (mid January- mid May) but will pay Rs. 3.00 per during the wet season (mid May - mid January). The purchase rate will increase by 6% per annum for 5 years with the fiscal year 2055/056 being considered as the base year. After the 5 years the incremental rate will be negotiated on the basis of the consumer price index prescribed by Nepal Rastra Bank. The PPA will remain valid for 25 years after the start of Power Generation

The construction materials of the plant will be transported by a 3.2 km long temporary ropeway from Ramche to the powerhouse site at Mailun Dovan.



### Hydro Lab News : Success of Sediment Workshop

Hydro Lab Pvt. Ltd., in cooperation with the Norway-based International Centre for Hydropower (ICH), organized a workshop Sediment Management for Successful Hydropower Development in Nepal on 11-12 September 2001.

The objective was to offer the participants better insight into the physics of sedimentation processes, measurements techniques and data analysis, as well as hands-on experience in sampling, site observations and procedures. The format was a combination of lectures, laboratory experiments and fieldwork.

Participants were experienced professionals in hydropower planning, design and operation from the entire South Asian region. In total 23 engineers from Bhutan, India Nepal, Pakistan and Sri Lanka

survey and detailed design of the ropeway system has been completed by Himal Hydro. An EIA study of the ropeway is also in progress.

The survey for the transmission line alignment of the project has concluded. The energy from the plant is to be added to the National Power Grid at Grang village in Ramche via a 3 km long, 66 kv transmission line. The EIA study for the proposed transmission line is also being conducted.

Negotiations for the purchase of land at Mailun Dovan are in progress. The local people seem very enthusiastic regarding the employment opportunities that are bound to come because of the project. The village people have demanded work opportunities generated by the project and have been satisfied by Molnia Power Pvt. Ltd.'s assurances of providing them with work within their capacity. The local V.D.C. has also promised to help with the realization that this Project is very beneficial to the village community, and has also provided its formal approval in a written form, stating their complete support and assistance.

and some 70 invited guests were gathered when the Honorable Member of National Planning Commission, Dr. Rameshananda Vaidya, His Majesty's Government of Nepal inaugurated the workshop. The workshop was sponsored by NORAD, ICH and Hydro Lab. The participants were welcomed by the General Manager of Hydro Lab Pvt. Ltd., Mr. Pratik Man Singh Pradhan. Mr. Pradhan stressed that the sediment transport will always be a major issue in the operation of any water resources project in Himalayan rivers from the conceptual stage, through planning and design.

The workshop input was a carefully planned blend of lectures, model tests, fieldwork and sampling analysis work. Key resource persons were Prof. Ranga, of Raju University of Roorkee, India, Prof. Haakon Stole, the Norwegian University of Science and Technology (NTNU), Hydro Lab scientific staff and specialists from relevant governmental bodies in Kathmandu. In addition the participants pooled their own experiences to create a well-functioning learning environment. The 4-day field trip provided the opportunity to visit and sample sediments at the Marsyangdi power station and dam site, the Upper Seti project and the Modi hydropower project. Feedback from the participants was unanimously positive, and the organizers were encouraged to repeat the workshop regularly.

## Maoist Insurgency

There has been severe incidents both in the urban and rural districts damaging the infrastructure and property related to power utilities. As the capital continues to witness increased Maoist activities, another extremist group, Khumbuwan Liberation Front (KLF), blew up a powerhouse of 250 kilowatts micro-hydro project in Bhojpur district on January 27<sup>th</sup>, 2002. Yet another attack on physical infrastructure at Sankhuwasabha District demonstrates the "hit-and-run" attacks that have been going on in the capital and in the remote hills despite heightened security measures.

The Maoists hurled petrol bombs at vehicles parked at the premises of Chamelia Hydropower Project at Thapagaon, New Baneshwor.

In Bhojpur, armed men of the outlawed KLF destroyed the powerhouse of 250 kilowatts micro-hydro project built in the Pikhua River by cutting off power supply to Bhojpur and its adjoining areas. It is estimated that about Rs 10 million of property has been damaged. It would take at least six months to repair the powerhouse. The Nepal Electricity Authority had leased the hydro plant to a private company – Pashupati Power Company – for 20 years about 3 years ago.

### Nepal Development Forum meet 2002

Nepal Development Forum 2002 met for the first time at home for a four day session.

Prime Minister Sher Bahadur Deuba inaugurated the meeting of 30 aid donors, 19 months after the last meeting in Paris. The meeting approved the broad guideline of Nepal's 10th Five-Year-Plan to be launched later this year. Financial assistance to implement projects covered in the plan was also discussed. The meeting is being held in Kathmandu and Pokhara.

In present austere scenario, the Nepal's development effort has been badly hurt by a sequences of international and domestic traumas and by the civil war started by the Maoists. The donor community, on the other hand, presented a paper focusing on accountability while financing development projects. In addition, they reiterated their concerns over the weak implementation of the government policies and programmes.

## Upper Marsyangdi -2 Hydroelectric Project (UMS2)

HIMTAL HYDROPOWER COMPANY PVT. LTD has obtained survey license for development of 85MW Upper Marsyangdi -2 Hydroelectric Project (UMS2), the feasibility study of which is in progress. Construction will commence once the feasibility study is concluded. The project is scheduled to be commissioned by 2006. The electricity will be sold partly to the national grid and the remaining to other potential buyers. The company is on a look-out for potential buyers within and across the border, and is also exploring possible commercial arrangements.

### News from Sanima Hydropower

Sanima Hydropower (P) Ltd. has signed a Power Purchase Agreement with the Nepal Electricity Authority for the sale

of generated energy from 2600 kW capacity Sunkoshi Small hydropower project on 13 November 2001. The contract is for 25 years. This small project shall be located in Dhuskun village of Sindhupalchok district. The Sunkoshi river, tributary of BoteKoshi is the prime energy source of this project. The plant will generate 14.4 GWh energy annually after completion of project construction. Sanima is preparing for financial closing and detail engineering design. It plans to start construction in a few months and energy should be delivered to NEA's national grid by 2004.



## Eleventh SAARC Summit held in Kathmandu

The Eleventh South Asian Association for Regional Cooperation (SAARC) Summit (4-6 January 2002) convened in the Nepalese capital on Sunday after adopting 56-point Kathmandu Declaration. The seven member countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Republic of Sri Lanka) were represented by the Heads of State or Government.

The Declarations cover a broad area of regional cooperation including an economic vision, social mobilization in respect of poverty alleviation and other institutional issues. The Summit also signed two regional conventions on the prevention of women and children trafficking. It seeks to put a

stop to the prostitution trade and develop the regional child welfare. The Kathmandu Summit announced formation of a SAARC peace award for individuals or organizations. The summit also appointed Mr. Q.A.M.A. Rahim as the Secretary-General effective from 11 January 2002.



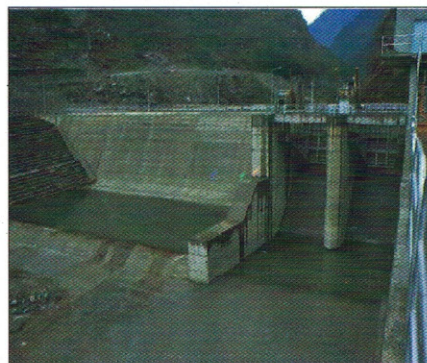
## The Upper Bhote Koshi Hydroelectric Project (BKPC)

The Upper Bhote Koshi Hydroelectric Project (UBKHEP) is a run-of-the-river scheme constructed on the Bhote Koshi River, a tributary of the Sun Koshi River, in Sindhupalchowk District of central Nepal. Located approximately 110 kilometers northeast of Kathmandu near the Sino-Nepal border, the Project has a headworks with a side intake approximately 500 meters downstream of the confluence of the Bhote Koshi River and the Jung Khola near Tatopani.

Water diverted from the side intake is conveyed to a surface powerhouse through a headrace conveyance system comprising a surface desanding basin located adjacent to the weir, a 3.3-kilometer-long headrace tunnel, a restricted-orifice type surge tank and a 450-meter-long, 2.8-meter diameter steel penstock. The Project has an installed capacity of 36 MW, with 2 turbine/generator units. The powerhouse is constructed at Jhirpu

Village located approximately 3.7 kilometers downstream of the diversion dam. The entire Project is accessible from the Sino-Nepal border at Kodari.

Bhote Koshi Power Company Pvt. Ltd. (BKPC) has undertaken development of the Upper Bhote Koshi Hydroelectric Project. The power generated from the Project is transmitted to the Integrated Nepal Power System (INPS), and Nepal Electricity Authority (NEA) purchases the generated power.



### CIRDAP Council meeting in Kathmandu

Kathmandu, Jan. 18 : The 13th regular ministerial level meeting of the Governing Council of the Center on Integrated Rural Development for Asia and Pacific (CIRDAP) concluded by adopting a base paper for six-year plan of action for 2002-2006.

The CIRDAP has been working on the gender equality, sustainable livelihood, agriculture development and rural infrastructure in Asia and the Pacific.

The endorsed plan of action consists of long term programs covering issues including poverty alleviation, rural production and employment, development of community organizations, decentralization and good governance, selection and implementation of pilot projects, among others.

According to a press statement after the meeting by the Ministry of Local Development, Nepal will be included in various CIRDAP programs to be conducted in 2002-2003.

The programs are also compatible with HMG/

## News From Himal Power Limited

1,055 households are planned to be electrified during 2002 under the second phase of Jhankre Rural Electrification and Development Project (JREDP), the electrification has been going simultaneously in 180 household of Khimti Besi, Ramechhap District, and 84 household of Hawa, 62 household of Thulo Patal and 74 household of Sahare village of Dolkha District.

Jhankre Rural Electrification and Development Project (JREDP) once completed will be handover to a local cooperative. The cooperative has been named Khimti Rural Electrification and Multipurpose Cooperative/Company (KREC), and is going to be registered in the near future. The construction of a building for this cooperative is about to start.

### Commercial Operation

The UBKHEP Plant was synchronized to the NEA grid on January 3rd 2001, and commercial operation started on January 24th 2001. The plant has been running smoothly since then and has been providing energy to the NEA system on a continuous basis as per the provisions in the Power Purchase Agreement (PPA) and as requested by the NEA Load Dispatch Center. Operation and Maintenance activities are being conducted continuously at the Plant. On January 24th 2002, BKPC will complete the first year of commercial operations.

### Site Security

BKPC has engaged Group4 Securities to provide security at the Plant. In view of the recent developments in the country, the Royal Nepalese Army has also been deployed at the site to provide security to this vital installation of national interest.