



# IPPAN

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INDEPENDENT POWER PRODUCERS' ASSOCIATION, NEPAL

## Remarks from the President



Dr. Sandip Shah

## Power Summit & its Aftermath

Power Summit 2006, jointly organized by IPPAN and PTC India Ltd. in September 2006, was a major milestone in Nepal's hydropower resources development process. The Summit brought together major stakeholders of Nepal and India involved in the power sector, including industrial developers, banks and financial institutions, construction companies, insurance companies, credit rating agencies, etc. Quite a number of international developers and multi-lateral lending and donor agencies were also present at the Summit. With the support and blessings of the governments of Nepal and India, the Power Summit provided a forum for free and frank discussions on the status of power sector development in Nepal, projects that could be developed as private enterprises or public-private partnerships, the requirements of and trends in financing and insuring hydropower and other infrastructure projects, transmission interconnection, power trading and other project-development issues.

Commitments were made by the Government of Nepal to open up the sector further for international investments and to streamline the process of project development. Government of India also assured of assistance to the power sector of Nepal through the development of a 150 MW hydropower plant and by earmarking part of the line of credit for the power sector. All of these very promising statements were duly appreciated by the private sector.

In order to build on these promises and to move forward with the next steps, it was concluded that the way forward would constitute primarily transmission interconnections between Nepal and India and development of strategic power projects. In this context, IPPAN would continue with its excellent relationships with PTC and CII of India to make this a reality. IL&FS Infrastructure Development Bank also offered to take up the interconnection project with an inclusive group of investors. It was also thought that the key to developing these projects was project finance. In this context, IPPAN has offered to provide the catalyzing and coordinating role between the financial institutions of Nepal and India. Finally, in order to achieve realistic power trade between the two countries, it was realized that there is a need to develop and harmonize the technical, legal and regulatory frameworks for the interconnection for which IPPAN would work closely with organizations such as PTC.

As was quite obvious at the Power Summit, there has been great interest from Indian and international developers to cooperate with Nepali promoters to develop small and medium-sized (10-600 MW) projects. We have already seen increased interest in acquiring project development licenses. GoN has also invited competitive bids for three major projects, viz. Upper Karnali (300 MW), Burhi Gandaki (600 MW) and Arun-III (402 MW). The bid documents have been made available to interested developers for the competitive process.

A major achievement of the Power Summit was the transmission interconnection project that PTC, IL&FS and NEA are promoting. This includes four major interconnections, viz. Butwal-Gorakhpur, Dhalkebar-Muzaffarpur, Anarmani-Siliguri, and Duhabi-Kataiya. The target now is to develop these lines in sequence with the first interconnection to be commissioned in three years. IPPAN appreciates this effort and encourages the governments to have broader and inclusive private-sector participation in these projects.

All of this is good progress! Initiatives are being taken up by various stakeholders and results are already visible as projects are in various stages of taking off. However, the concern now is that the Government of Nepal needs to respond appropriately in a timely fashion. Attracting developers is one part of the development process; however, if decisions are not taken in time and frequent changes, dilly and dallying

on the selection process occur, a very negative signal will go to the developers. As we all know, its difficult to attract investors to Nepal; retaining their interest is going to be a Herculean effort. IPPAN has in the past and continues to put up continuous efforts in maintaining and increasing this interest. However, the government needs to respond appropriately to make sure that the dreams of New Nepal are achieved through the development of the power sector.

I wish you all a very Happy New Year 2007!

## 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 mobilize private capability, both national and international, to overcome the constraints confronting hydropower development.
- ▶ To make optimal use of Nepal's water resources endowments, to serve longterm national and regional needs in the context of future fresh water and energy scarcity.
- ▶ To disseminate information on hydropower development, in Nepal and elsewhere.

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# POWER SUMMIT 2006

A two-day seminar was organized by IPPAN jointly with PTC India on September 7-8 2006 at Hotel Soaltee, Kathmandu. There were five technical sessions and two plenary sessions in which twenty six papers were presented. More than 150 participants from close to 55 Nepali and international companies had participated in the Summit. There was participation from existing licensees / developers, EPC Contractors, equipment manufacturers, financial institutions, insurance companies, bi-national chambers, etc. With the emerging market of energy trade, the seminar intended to highlight multiple benefits that could be accrued from cross border power trading. The seminar also addressed the current situation, impediments and future prospects for power trade and the development of power sector as a whole. The summit was inaugurated by Right Hon'ble Deputy Prime Minister K.P. Oli and the event was acknowledged both nationally and internationally. Heralded as a very popular event, it has created great interest in investing in Nepal's hydropower by national and international entities.



## Participants from Nepal:

- » Ministry of Water Resources, Ministry of Finance, Department of Electricity Development and Nepal Electricity Authority.
- » Nepalese Project Developers including IPPAN members.
- » Financial Institutions (Nepal Rastra Bank, Commercial Banks of Nepal, Asian Development Bank, World Bank)
- » Representations from different business associations. (FNCCI, CNI, NCC, NICCI etc.)
- » Insurance Companies

## Participants from India:

- » Project Developers (Jaiprakash Associates, GMR Energy, Tata Power, Reliance Energy, LANCO, CLP Power India, Everest Power Pvt. Ltd., Him Urja Pvt. Ltd, NHPC, NTPC, Navbharat Ferro Alloys, Essar Power, Torrent Group, Meenakshi Power)
- » EPC Contractors (ABB, L&T, Marubeni)
- » Equipment Manufacturers (BHEL, GE Power Systems, Alstom Systems, Voith-Siemens)
- » Financial Institutions (ADB, IFC, ICICI Bank, Standard Chartered, Citigroup, SBI, IDFC, Canara Bank, Bank of Baroda, PNB, HDFC, PFC and REC)
- » Insurance Companies (Tata AIG, GIC, ICICI Lombard, Bajaj Allianz and AON)

## The specific outcomes of the event were:

- » Identification and presentation of projects that are ready for development and others that are in the pre-developmental stage.
- » Identification of financing models for the projects and likely issues in financing.
- » Identification of significant risk perceptions of investors, with a view to provide specific recommendations to policy makers in both countries.



# IPPAN PARTICIPATION

## Himalayan Small Hydropower Summit

Executive Manager Anil Neupane participated in the seminar "Himalayan Small Hydropower Summit (HSHS)" on October 12 - 13, 2006 in Dehradun, India. The seminar was jointly organized by Alternate Hydro Energy Centre (AHEC), Indian Institute of Technology, Roorkee in association with Government of Uttaranchal, India. There were 215 participants including 30 international participants from Nepal, Sri Lanka, Norway, Mexico, Germany, Switzerland, UNIDO, ADB, etc.

## BIMSTEC – Workshop on Small Hydro Projects

On behalf of Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC), Water and Energy Commission Secretariat (WECS) organized a one-day workshop on Small Hydro Projects on 21st September 2006 with an aim to share experiences of small hydropower development in the BIMSTEC region, which comprises Nepal, India, Sri Lanka, Thailand, Bhutan, Bangladesh and Myanmar. Mr. Vinay Bhandari, BPC and Mr. Anil Neupane, IPPAN participated in the workshop. Mr. Vinay Bhandari also presented a paper on the current hydropower development aspects of Nepal.

## Interaction Program by Alliance for Natural resources Nepal

In an Interaction program entitled "Political Adherence – Today's Need for Energy Development" organized by "Alliance for Natural resources Nepal" on 15th September 2006, Mr. Gyanendra Lal Pradhan, IPPAN Executive Committee Member made a comprehensive presentation on the overall prospects of hydropower development in Nepal. Politicians from 5 major political parties of Nepal and others dignitaries were present during the occasion. All present expressed their strong commitment for the development of hydropower in Nepal for sustainable development of the country. They further expressed special thanks to IPPAN for shedding light on the overall prospects of the hydropower in Nepal.

## IPPAN ACTIVITIES

### Meeting with World Bank CDM Experts

IPPAN organized a meeting with World Bank CDM Experts Mr. Charles J. Cormier – Sr. Carbon Finance Specialist, South Asia Region and Ms. Mahua Acharya Environment Specialist, Carbon Finance Unit on 3rd August 2006 at IPPAN Office for discussion on possible CDM benefits for hydropower projects in Nepal. The World Bank representatives suggested that IPPAN should facilitate the development of a Project Idea Note (PIN), following which the Bank could consider funding development of Project Development Document (PDD) and Methodology for feasible projects.

### Meeting with Ministry of Finance

IPPAN delegation including President, Secretary General & Members met with Mr. Rameshwar Prasad Khanal – Acting Secretary of Ministry of Finance. The meeting focused on proper implementation of the tax holiday for power developers, as provided for in the Electricity Act 1992, and urged the Government to process the PPAs in order to alleviate the power crisis situation in the country.

### Friday Forum

In continuation with the popular Friday Forum, IPPAN had organized a forum on "Agenda discussions for Interaction Program with Ministry" on 28th July 2006 to discuss different hydropower-related issues in light of the new Financial Act 2063.

### Sixth Annual General Meeting (AGM) of IPPAN

IPPAN conducted its Sixth Annual General Meeting on 19th January 2007 at IPPAN Office, Heritage Plaza, Kamaladi. During the AGM, President of IPPAN Dr. Sandip Shah presented the annual report where he highlighted the activities and achievements of IPPAN during the last year and also shared the future plans of IPPAN. Some of the major activities during the previous year were the Power Summit 2006 & Workshop with Bankers on Hydropower financing, introduction of Energy News Clips, continuation of Friday Forum, publication of Research Report on "Nepal-India Cooperation on Hydropower (NICOH)", etc.



Dr. Shah also elaborated on some of the important activities that IPPAN plans to conduct in the future which are also a part of Strategic Plan. At the end, Dr. Shah expressed his gratitude for the support provided by IPPAN Members, especially, the Executive Committee of IPPAN, the advisors and staff members in bringing the Association to the present level. He requested and urged all members to enhance IPPAN's activities in the future. He urged members to stay committed and move at an accelerated pace to fulfill the vision, mission and objectives of the Association.

The audited financial statements for FY 2062/63 were presented to the members for perusal. IPPAN members expressed their satisfaction over the growth and recognition of IPPAN as a key stakeholder in the power sector of Nepal and in the region. They also exhorted that IPPAN should get more involved in activities that would help in creating a more enabling environment for investments in the power structure.

### Workshop on "Hydropower Investment – Bankers' Perspective"

IPPAN organized a half-day workshop on "Hydropower Investment; Bankers' Perspective" at Hotel Yak & Yeti on November 17th 2006 with the support of the Royal Norwegian Embassy. Five papers were presented in this workshop including legal & regulatory framework, inherent risk issues, local financing issues, hydropower basics, necessity of power development. The workshop was inaugurated by Mr. KB Manandhar, Deputy Governor of Nepal Rastra Bank. Extensive discussions were held on the presentations which were incorporated in the final workshop document. The banks participated with great enthusiasm in this seminar.



# NEWS FROM MEMBERS

## New Members of IPPAN

IPPAN welcomes Khudi Hydropower Company as its new Corporate Member and SN Power and Nepal Hydro & Electric and as its new Associate members.

## Farewell to International Resources Group

Mr. Krish Krishnan has left for the USA after completing his assignment in Nepal. We gratefully acknowledge his contribution to IPPAN over the last four years. IPPAN organized a farewell program for Mr. Krish Krishnan on December 21st 2006 in Kathmandu to acknowledge his contribution during his tenure as IPPAN Member. He was honored as Lifetime Honorary IPPAN Member during the program.

## Mai Hydropower Project (14.5 MW)

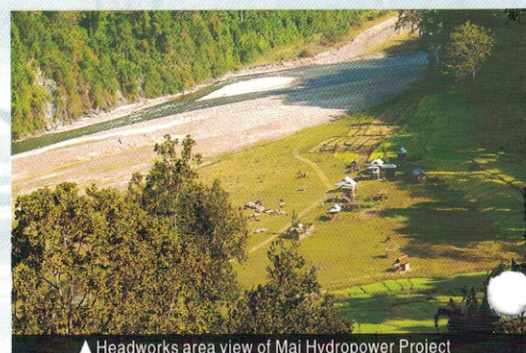
Sanima Hydropower (P.) Ltd., the promoter of the 14.5 MW Mai Hydropower Project (MHP) which was identified in 2004, has been applied for PPA with NEA in July 2006.

The feasibility study of the 14.5 MW Mai Hydropower Project in Ilam district, Nepal, was completed by the in-house Engineering Department of Sanima in June 2006, which after targeted commissioning in the end of 2010 will start supplying approximately 90.6 GWh of net electric-ity per year to NEA. There are numerous advantages of this project for INPS of NEA. To mention a few: it supplies power at the load center of power-hungry region of eastern Nepal, reduces import from India at this location, reduces operation of multi-fuel to some extent, improves voltage profile of the region, reduces power losses from wheeling from generation centers in the west. The environmental impacts due to the project are also moderate to low.

The plant will rely on flows from a low-head, concrete diversion weir (7 m high) on the Mai river. The monsoon fed catchment area of the project is about 589 km<sup>2</sup>. Major project structures are the 131 m long weir, 2192 m long tunnel, and semi-underground powerhouse with two units of Francis turbine. The project utilizes a gross head of 116.5 m, and a design discharge of 15.38 m<sup>3</sup>/s. It will transmit power through a 24 km long, 132 kV line, which will be connected to the Nepal Electricity Authority's 132 kV Anarmani substation at Birtamod, Jhapa.

Geologically the area lies in the Siwalik Zone, immediately south from the boundary with the Lesser Himalaya. The predominant rock types are sandstone, siltstone and mudstone.

The entire project, which will cost NRS 1891 million (26.45 million USD) excluding the transmission line, will be financed by equity from SHPL, a company formed by engineer mem-bers of the Non-resident Nepalese Association (NRN) and a loan from an expected consortium of local banks.



▲ Headworks area view of Mai Hydropower Project

## IPPAN Members list

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1	Annapurna Renewable Energy	GPO 7656	Sunita Gurung	MD	4425575 / 9841418132	are_hydro@yahoo.com
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