

Date: 11/08/2024

Ref.no. १५

Mr. Kul Man Ghising
Managing Director
Nepal Electricity Authority
Durbar Marg, Kathmandu



Subject: Reminder for Extension of Required Commercial Operation Date (RCOD) and Abolishment of conversion of Take or Pay Clause into Take and Pay Clause for projects to be commissioned up to 2084/2085 as per the letter dated 25/03/2081.

Dear Sir,

We hope this letter finds you well. We are writing to follow up on the letter we sent on 25/03/2081 regarding the urgent need for the Nepal Electricity Authority (NEA) to grant an extension of the Required Commercial Operation Date (RCOD) for independent power producers, particularly those whose Power Purchase Agreements (PPAs) were signed in the years following the COVID-19 pandemic.

As you are aware, the COVID-19 pandemic has had far-reaching impacts on the global economy, and the power sector in Nepal has not been immune. The subsequent Russian-Ukraine war has further strained global supply chains and financial markets, exacerbating the challenges faced by our power producers. Additionally, the financing deficit in the Nepalese banking sector post-pandemic has created significant hurdles in securing necessary funds for project completion.

Moreover, natural calamities have also played a disruptive role, along with delays in obtaining approvals from various government departments, all contributing to the inability of many projects to meet their RCOD. We feel that it is critical for NEA to acknowledge these unprecedented circumstances and provide the necessary support to ensure the viability and success of these projects.

Granting an extension for the RCOD will not only help restore investor confidence in Nepal's hydropower sector but will also provide a much-needed lifeline to projects that are at risk of severe penalties for non-compliance. This support is vital for achieving the power production goals set by the NEA and for maintaining the momentum in the sector.

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Senior Vice President

Mohan K. Dangi

Vice President

Ananda Chaudhary

Ashish Garg

Bharat B. Khatri

Ram P. Acharya

Uttam Bhlon Lama

General Secretary

Balaram Khatiwada

Deputy General Secretary

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Secretary

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Bharat Nepal

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Uttar K. Shrestha

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IPP & Chief Advisor

Krishna P. Acharya

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2081/08/24

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Furthermore, we would like to reiterate our request for the abolishment of the conversion of "Take or Pay" clause into "Take and Pay" clause for some projects if they projects are not connected by the the year 2084/2085, as mentioned in their PPAs. The delays due to tight financing conditions and departmental approvals have rendered the enforcement of this clause impractical and burdensome for power producers. Transitioning to a full "Take or Pay" framework without the cut off expiry of the year 2084/2085 will offer a more realistic and supportive approach, ensuring that projects are not unduly penalised and can continue contributing to the national grid effectively.

In conclusion, we feel that for the projects whose Generation License and Power Purchase Agreements were signed in the years of 2020 and 2021, we urge the NEA to re-consider the extension of RCOD dates and enforce the full "Take or Pay" clause without any restriction for the whole duration of the project. These measures will be instrumental in reviving the confidence of investors and all other stakeholders in the hydropower sector, ensuring the successful completion of ongoing projects, and ultimately achieving the power production goals of Nepal.

Thank you for your attention to this matter. We look forward to your favourable response.

Ganesh Kharki
President
IPPAN

