

Source: The Kathmandu Post; 2 June 2018

NEA signs maiden PPA with Tanahu Hydro

Nepal Electricity Authority (NEA), the state-owned power utility has signed its first ever power purchase agreement (PPA) with Tanahu Hydropower Project, on Wednesday. The agreement was signed during NEA's board of directors meeting.

The 140 MW Tanahu Hydropower Project is a storage type plant planned to be built on the Seti River in Tanahu district in central Nepal. The NEA will pay Rs12.40 per unit of electricity during the dry season which lasts from December to May, and Rs7.10 per unit during the wet season which lasts from June to November to the Tanahu Hydropower, as per the power purchase guidelines issued by the Energy Ministry. The guidelines also state that if the energy output during the dry season drops below 50 percent of the installed capacity, the payment rate during the wet season will be reduced by the percentage point of the decline.

For example, if electricity generation during the dry season falls to 36 percent of capacity, or a drop of 14 percentage points below the threshold, the NEA will pay 14 percent less for the power produced during the wet season. This means the purchase rate for the energy produced during the wet season will be Rs6.10, which is 14 percent less than the fixed rate of Rs7.10.

Likewise, if the project fails to generate 35 percent of the total energy during the dry period, it will be considered as a peaking run of the river type project, according to Prabal Adhikari, spokesperson of the NEA.

If it is considered as a peaking run of the river type project, the Tanahu Hydro will get Rs10.55 per unit during the dry season and Rs8.40 per unit during the wet season. Tanahu Hydropower Limited may have sealed a power purchase deal with the NEA, but the construction of the power station is in limbo due to delays in appointing contractors. The company has signed a memorandum of understanding with Sinohydro Corporation to implement the hydro and electromechanical works of the Tanahu Hydroelectric Project, but it is yet to sign the actual contract.

Likewise, there has been no progress in appointing a contractor for the first package of the project

which includes the preparation of a detailed design and the construction of the headworks. The Tanahu Hydroelectric Project will be one of the biggest reservoir projects in the country with an estimated annual energy generation capacity of 587.7 GWh in the first 10 years of operation. The project can generate energy for six hours daily during the dry season. The project is being built using credit extended jointly by the ADB, the Japan International Cooperation Agency (Jica) and European Investment Bank (EIB).

Source: The Kathmandu Post; 7 June 2018

NEA begins constructing high voltage power lines

The Nepal Electricity Authority (NEA) has begun building high capacity transmission lines to supply regular electricity to industrial areas that are currently in operation or are scheduled to come into operation in the near future.

Currently, the state-owned power utility is supplying electricity to these industrial estates via 33 kV power lines, but it wants to upgrade them to 132 kV double circuit lines in the near future.

The NEA said the upgradation of the transmission lines and substations would ensure regular energy to factories that have been suffering from abrupt power cuts.

To this end, the NEA has started the construction of high-voltage transmission lines and substations in Sunsari, Siraha, Dhanusha, Makwanpur, Chitwan, Nawalparasi and Rupandehi districts.

The NEA went to work after Energy Minister Barsha Man Pun told it to solve the problems being faced by industries due to sudden power outages.

The NEA has begun to upgrade the power lines and substations when the country is poised to become an energy surplus nation with the completion of the 456 MW Upper Tamakoshi Hydropower Project. According to the power utility, the existing power lines and substations will not be able to handle the additional electricity that will be added to the national grid after a number of projects, including Upper Tamakoshi, come online.

NEA Managing Director Kulman Ghising this week visited the construction sites of various transmission lines and substations and directed the project officials, contractors and consultants to complete the construction on time.

“We are working to prepare a ring of 132 kV transmission lines considering the industrial corridors and special economic zones in Janakpur, Hetauda, Chitwan, Bhairahawa and other places,” said Ghising. “If such infrastructure is built, we will be able to supply electricity as per demand besides avoiding tripping of transmission lines due to overloading.”

Electricity supply to industries will increase while leakage will also be minimized, according to Ghising. “We have eliminated load-shedding,” he said. “But we need to increase demand for electricity as there will be an increase in supply after many under-construction projects come online within two years.”

The NEA has started the construction of power lines and substations considering the existing factories and new ones that will be built in the near future in Nawalparasi and Rupandehi districts. It has started the construction of a 132 kV double circuit transmission line from Bardaghat to Sardi where Hongshi-Shivam Cement, a Chinese joint venture, has its factory. Likewise, the power utility is also on track to complete the construction a 33 kV double circuit transmission line to supply electricity to factories in the special economic zone in Bhairahawa. The power line will be completed within a couple of months, the NEA said.

Source: My Republica; 7 June 2018

IBN counters budgetary provision on West Seti project

Investment Board Nepal (IBN) has said that it was holding deliberations with China Three Gorges Corporation (CTGC) regarding the financial viability of the West Seti Hydropower Project (750 MW). Issuing a statement on Wednesday, IBN said that a study committee, formed by its 29th Board Meeting chaired by Prime Minister Khadga Prasad Oli as per CTGC's request for some clarity on financial viability of the project, has already submitted its report and that the report is under consideration. "No decision has been taken on the matter," IBN said in the statement. The statement came as a response to the government's announcement to build the reservoir project by mobilizing internal resources. It hints that two government bodies -- Ministry of Finance and IBN -- are at the loggerheads over development of West Seti which is viewed as one of the lucrative projects for the country.

IBN CEO Maha Prasad Adhikari, however, denied any conflict between the two government agencies. "We only wanted to share facts about the project. The matters included in budget speech is a policy issue," he said, adding that IBN was for taking deliberations with the Chinese company to a logical conclusion before making further decision about the project.

In a recent interview, Minister for Energy Barsha Man Pun stated that discussions to built West Seti jointly with TGIC were underway.

Talking to media persons after tabling the budget in the parliament last week, Minister for Finance Minster Yuba Raj Khatiwada said the government had put the ready to implement project in its priority and will begin construction soon.

Responding to a question why the government has changed its stand on the project which is under discussion with the Chinese developer, Khatiwada indicated that government has picked West Seti project as an alternative to Budhigandaki Hydropower Project (1,200 MW).

The erstwhile government led by Sher Bahadur Deuba had terminated the contract to award Budhigandaki to a Chinese company and decided to develop the project on its own.

"We won't be throwing ball at each other like in tennis regarding this project (Budhigandaki) anymore," Khatiwada had said, indicating that the government has changed its mind about developing the project which is said to be crucial for the country's energy security.

This shows that the Oli government has changed its opinion on the project despite his commitment to re-award the project to China Gezhouba Group Corporation (CGGC).

Earlier, former Prime Minister Pushpa Kamal Dahal, whose party has now merged with CPN-UML to form Nepal Communist Party (NCP), had Budhigandaki to the Chinese company in haste. Te decision had drawn flak from all quarters.

"We will find out a different modality, probably public private partnership (PPP) model, to build Budhigandaki Hydropower Project," Khatiwada disclosed.

The budget for FY2018/19 has allocated over Rs 17 billion to Budhigandaki project. The amount will be used to provide compensation for land to be acquired by the project.

Source: The Kathmandu Post; 7 June 2018

IBN refutes govt claim on West Seti Project

Says there has been no decision to scrap pact signed with China Three Gorges on 750MW undertaking
BIBEK SUBEDI

Investment Board Nepal (IBN) has refuted Finance Ministry's claims that the government would build the West Seti Hydropower Project with internal resources as stated in the recently released budget statement for fiscal 2018-19.

There has been no decision to scrap the pact signed with China Three Gorges Corporation (CTGC)--the potential developer of the 750MW reservoir-type project, the IBN said in a statement on Wednesday. "Recent media reports suggesting that the accord signed with the Chinese developer will be scrapped and the government will build the project on its own have drawn our attention," the statement reads. "No such decision has been made by the government."

The board is reviewing the recommendations made by a government panel on taking the project forward, and it is yet to reach a decision on the issue, the IBN added.

Presenting the federal budget for the next fiscal year on May 29, Finance Minister Yubaraj Khatiwada had said the construction work on West Seti would be commenced by mobilising internal resources. Highly-placed government sources said the IBN statement has come as damage control after the Chinese side expressed concern over the budget statement. "There was concern from the Chinese side after the budget statement talked about building the West Seti through internal resources," said a source, adding that there was a meeting at the Prime Minister's Office over this issue.

The project, located in far-western Nepal, has been languishing in uncertainty after the CTGC said it would not go ahead with the scheme if the power purchase rate was not increased. The IBN board of directors formed the committee last March to suggest possible ways to break the stalemate.

The panel has suggested to the government either to scrap the agreement signed with the CTGC or provide it a second chance to build the scheme by scaling down the installed capacity.

"There was confusion after the budget speech from stakeholders including the developer. The issue of West Seti construction with the CTGC has not reached to the logical conclusion. That's why we've issued the press statement to clarify the issue," said Maha Prasad Adhikary, CEO of the IBN.

According to the IBN, the committee said the government should build the project on its own by coordinating with the provincial government if it scraps the deal with the Chinese company. The second option is to slash the installed capacity to 600MW as proposed by the CTGC more than a year ago, and allowing it to proceed with the project. During a meeting last year, CTGC officials had proposed decreasing the installed capacity citing a drop in the water level in the river. However, the Nepal Electricity Authority (NEA), the venture partner of the Chinese company in the project, rejected the plan. A few months ago, CTGC asked IBN to guarantee a rate of return of 17 percent on the project arguing that it would not be bankable at the power purchase rate fixed by the government. When asked about the West Seti, Chinese Foreign Ministry Spokesperson Hua Chunying said information about Nepal government scrapping the West Seti deal is not true. "According to the information I have, this report is not true. The relevant project is a commercial one. The Chinese firm involved is in talks with the Nepali side on this project's economic feasibility and other matters," she said on Wednesday in a regular press meet in Beijing.

As per the power purchase rate made public by the Energy Ministry in January 2017, reservoir-type projects like the West Seti will get Rs12.40 per unit during the dry season which lasts from December to May, and Rs7.10 per unit during the wet season which lasts from June to November. The IBN then decided to take the matter to the board.

The West Seti has been in limbo since CTGC subsidiary CWE Investment Corporation and the IBN signed a memorandum of understanding to construct the hydropower project in August 2012. It took more

than five years to sign a joint venture agreement between the CTGC and NEA, the state-owned power utility. As per the pact, the Chinese company will have a 75 percent stake in the joint venture company, while the NEA will hold the rest of the shares.

The West Seti Hydropower Project will extend across Baitadi, Bajhang, Dadeldhura and Doti districts, and is expected to generate 2.8 billion units of electricity per year.

Source: The Kathmandu Post; 8 June 2018

Talks on Butwal-Gorakhpur power line project to be held

The Nepal Electricity Authority (NEA) plans to hold talks with the Central Electricity Authority (CEA) of India this month to finalise the funding and implementation modality of the 400 kV New Butwal-Gorakhpur Cross-Border Transmission Line Project.

The fifth energy secretary-level joint steering committee (JSC) meeting between the two countries in April had authorized the NEA and the CEA to give suggestions to the committee about the implementation and funding modalities within three months.

As per the minutes of the meeting, the two entities are supposed to study the power transfer requirements of both countries and recommend funding modalities accordingly. During the same meeting, there was a broad agreement that the portion of the transmission line passing through Indian territory would be built by a commercial entity, and that it would charge a fee from the power importer to recover its investment.

The agreement means that whenever the power line is used by Nepal to export power, the transmission charges for the Indian portion of the line can be collected from the Indian importer.

The NEA expects that the power line will be used to import electricity from India for a few years, and then it will be used to export power as Nepal will have surplus energy. "The NEA and the CEA will determine the time periods for the export and import, and submit a report to the next meeting of the JSC," said Prabal Adhikari, spokesperson for the NEA. "Based on the report, a commercial entity will be formed to fund the project." After the Indian side rejected Nepal's proposal to develop the cross-border power line under a government-to-government financing model, both sides agreed to develop it by establishing the commercial entity.

As per the financing model proposed by Nepal, the two governments will build the 400 kV power line on their respective territories. Around 20 km of the 135-km transmission line falls on Nepali territory. However, the Indian side rejected the Nepali proposal saying that the line should be developed by a commercial entity considering its commercial viability.

Nepal will develop the portion of the power line within Nepali territory under the new modality too.

Nepal has already arranged funds to build its portion of the transmission line. It is planning to build the power line with a grant provided by Millennium Challenge Corporation (MCC), an independent US government agency. An agreement to this effect has been signed, but the Nepal government must get the Indian government's consent over the financial terms for the construction, as per one of the preconditions set by MCC.

The Energy Ministry has prioritised the construction of the New Butwal-Gorakhpur transmission line as it can efficiently distribute imported power to high energy consuming cities like Bhairahawa, Butwal, Pokhara and Narayangadh. The power line can also be used to evacuate surplus energy produced in the Budhi Gandaki, Marshyangdi and Trishuli corridors where most of the country's hydropower projects are located.