Source: The Kathmandu Post, July 21, 2019

Bheri Babai to award contract to Nepali-Chinese joint venture

Guangdong Yuantian-Raman has been appointed to execute the hydropower component of the national pride project.

Prahlad Rijal

Diversion Multipurpose Project announced on Friday that it was appointing a Nepali-Chinese joint venture to execute the hydropower component, the scheme's second phase, three months after crossing a major milestone with the tunnel breakthrough.

The Rs33.18 billion national pride project located in western Nepal will irrigate farmlands in Banke and Bardia districts besides generating electricity.

The project office published a letter of intent indicating its decision to award the contract for the construction of the headworks, surge shaft, penstock and powerhouse to the lowest bidder Guangdong Yuantian-Raman. The joint venture had quoted the lowest price of Rs6.16 billion.

“We are planning to award the contract to the construction company within two weeks, and mobilise the contractor at the site by August as per standard procurement procedures,” said project chief Sanjeeb Baral. “The expected completion date of the project's second component—hydro and electromechanical works—is fiscal 2022-23.”

The project had pre-qualified five national-international joint ventures including Sinohydro, the Chinese contractor currently executing the civil works at the Upper Tamakoshi hydropower project in Dolakha, to execute the crucial hydropower component. The estimated cost of the hydropower component and other requisite civil structures stands at Rs15 billion.

According to Baral, the project office will now move to open the bids for the execution of the electromechanical component, which entails installing equipment in the powerhouse including generators and turbines. The project had issued an invitation for bids in January.

The successful bidder Guangdong Yuantian Engineering is a subsidiary of Guangdong Construction Engineering Group Corp. The company has implemented projects ranging from water conservation to urban rail transit and electric power engineering in 19 Chinese provinces and cities and eight overseas projects.

It’s Nepali joint venture partner Raman Construction has concrete lining, retaining projects, hydro mechanical installations and irrigation projects, such as Jamuni Kataha and Kamala Irrigation, in its portfolio.

The late Sushil Koirala inaugurated the Bheri Babai Diversion Multipurpose Project in April 2015. It achieved the tunnel breakthrough last April, one year ahead of schedule.

The tunnel will transfer water from the Bheri River to the Babai River at the rate of 40 cubic metres per second. The water will be used to provide year-round irrigation to 51,000 hectares of farmland and generate 46 MW of electricity.

The Rs10.57 billion tunnel component of one of the major strategic projects of the country is expected to ease the food crisis in the mid-western region by increasing agricultural yield. The project is expected to make an indirect financial contribution of Rs3.1 billion annually to the state through irrigation and a direct revenue contribution of Rs3.23 billion through electricity sales.

Since Bheri Babai is a government-owned project, it does not have to acquire an electricity generation licence from the Department of Electricity Development, and it can begin constructing the hydroelectricity scheme immediately after appointing a contractor.

The multipurpose project had planned to appoint a contractor for the second component by January, but it did not happen due to delays in preparing the design and obtaining approval from the Department of Irrigation. The government has also accorded priority to the multipurpose project in the budget for the current fiscal year.

Cost Breakdown (Government Estimate)

Components	**Cost (in billions of Rs)**
Hydromechanical construction and installation	2.84 (9%)
Electromechanical construction and installation	3.51 (11%)
Civil construction	12.10 (40%)
Tunnel construction	10.56 (35%)
Consultancy (all components)	1.51 (5%)
Total	30.52 (As of Dec 2018)

Source: Ministry of Energy, Water Resources and Irrigation

Source: The Himalayan Times, July 21, 2019

MoEWRI allots only Rs 200m budget to AEPC

Due to insufficient budget for the Alternative Energy Promotion Centre (AEPC) for the current fiscal year, the centre has said it will be unable to execute the targeted works in the stipulated timeframe.

AEPC, under the Ministry of Energy, Water Resources and Irrigation (MoEWRI), has mentioned that the line ministry has allocated just Rs 200 million for electrification of areas not yet connected to the national grid in Province 2, Karnali Province and Sudur Paschim Province.

"Since the local levels have been allocated ample budget, we plan to coordinate with them for construction of various energy projects to electrify rural areas," said Madhusudan Adhikari, executive director of AEPC, adding the budget allocated to the centre is not enough to carry out the works.

As per Nepal Electricity Authority (NEA), nearly 20 per cent of households are yet to be connected to the national grid in the country. The government has been focusing on supplying electricity to those areas through AEPC's programmes.

At present, AEPC has been setting up solar photovoltaic system, solar thermal system, biomass energy technology, wind energy, bio-fuel technology, and biogas technology and mini/micro hydro technology to provide renewable electricity in various areas across the country.

But due to insufficient budget for rural electrification, it is now uncertain whether the government will be able to fulfil its promise of electrifying every household within three years.

Nonetheless, the MoEWRI has allocated some budget for public-private partnership programmes to accelerate electrification in the rural areas through wind energy programme and solar roof-top system in coordination with general households and industrial users.

The government has allocated Rs 100 million for the wind energy programme and Rs 9.9 million for the solar roof-top programme.

AEPC is gearing up to set up wind turbines that will generate two megawatts of energy in Kailali district. As per AEPC, studies are being conducted to determine the possibility of carrying out the project and a detailed feasibility study will be carried out soon.

The Asian Development Bank has already conducted a feasibility study and said the project is possible.

Source: My Republica, July 22, 2019

PAC forms sub-committee to study dues of NEA dedicated line users

RSS

KATHMANDU July 21: The Public Account Committee (PAC) under the House of Representatives (HoR) has constituted a sub-committee on the issues relating to the collection of dues to be raised from several industries for the use of dedicated and trunk line services of the Nepal Electricity Authority (NEA).

The sub-panel is assigned to prepare the report on the matter and submit it to the committee along with suggestions within a month.

The sub-committee is headed by Dr. Minendra Rijal comprises Surya Pathak, Tejulal Chaudhary, Parbati Bishankhe and Pradeep Yadav as its members. Committee secretary Dr. Rojnath Pandey informed the meeting that the NEA's dues stood around Rs nine billion.

The committee has already sat for discussions with the NEA office bearers and industrialists concerned on the issue, committee member Rajan KC said. The NEA in the past had decided to ensure dedicated and trunk line facilities (by charging Rs 22 per unit) to majorly big cement industries based in Bhairahawa and Birgunj corridor during the period of load shedding hours.

The public has to pay Rs nine per unit for the household purpose and the NEA billing system calculated the bills of some industries as per the public charge structure, resulting in huge due. The subcommittee will analyze the NEA bills payment by those industries, calculate the loss details and recommend the way for recovering the dues, it is said.

Source: The Himalayan Times, July 23, 2019

Penstock pipes fitted in most difficult part of Upper Tamakoshi hydro

Penstock pipes measuring total length of 27.5 metres were successfully installed in the most difficult vertical part of the 456-megawatt Upper Tamakoshi hydropower project today.

Kul Man Ghising, managing director of Nepal Electricity Authority, informed that Andritz Hydro had installed the pipes weighing nine tonnes in the 310-metre-long vertical tunnel.

Earlier, construction had come to a standstill when the hydro-mechanical contractor, Texamo Railway Engineering of India, had failed to execute the installation.

This had pushed back the project's completion deadline for the fourth time to December 31 this year.

After that, NEA had asked the Indian contractor to reassign the crucial task of installing the penstock pipes to Austrian firm Andritz Hydro.

"One of the most difficult tasks of installing the penstock pipes in the vertical tunnel has been completed,"

Ghishing said, adding that the power utility has directed the concerned project officials, consultant and contractor companies to complete construction works within stipulated timeframe.

In accordance with the latest schedule, the project is slated to produce 76 megawatts of power from its first unit of its six units by December 31. Ghising claimed that construction of the project will be completed within the revised deadline.

However, it took nearly 128 hours to instal one penstock pipe, and installation of rest of the pipes will have to be sped up to complete the project on time. Altogether 74 penstock pipes need to be fitted, of which only four have been installed so far. The total length of the pipes will measure 682 metres.

Source: The Kathmandu Post, July 24, 2019

India proposes procedures for approving and facilitating electricity trade

The proposed provisions contradict India’s Cross Border Trade of Electricity Regulations, 2019.

The Central Electricity Authority of India has proposed procedures for approving and facilitating import and export of electricity between India and neighbouring countries which bar private entities from approaching it for developing cross-border transmission links, formerly ensured by India’s Cross Border Trade of Electricity Regulations, 2019.

“No other entity, such as prospective seller, buyer, generation plant developer, electricity trader of the neighbouring country, would be eligible for approaching, designated authority for planning and development of a cross-border transmission link,” states the draft.

As per the proposed rules, only the authority of the neighbouring country—in Nepal's case, the Nepal Electricity Authority—may approach the designated authority (Central Electricity Authority) for planning and developing a cross-border link.

This means independent power producers in Nepal cannot propose a dedicated transmission link from their hydel plants to pooling stations in India.

The proposed provisions contradict India’s Cross Border Trade of Electricity Regulations, 2019 which had kindled hope among power producers in Nepal as they allowed them to develop, operate and maintain a dedicated transmission system from their hydel plants to pooling stations in India.

“Provided that a participating entity having a generating station located in a neighbouring country may develop, operate and maintain a dedicated transmission system from the generating station to the pooling station within India at its own cost after obtaining all the necessary approvals from respective countries,” states the regulations issued in March 2019.

Also, the proposed rules are against the terms of the 2014 Power Trade Agreement between Nepal and India which explicitly mentions that the parties shall speed up interconnection planning and construction by inviting and assisting governmental, public or private sector enterprises of the two countries.

However, power utility officials say that the recently proposed rules by India’s power utility are, to an extent, in contradiction with the agreement between Nepal and India—which also assures non-discriminatory access to cross-border interconnections for all authorised licensed participants in the common electricity market—but necessary.

“Energy exchange between the two countries should not only be viewed in terms of market access, but also as a bilateral level mechanism which requires governments to step in and ensure import-export of electricity in a transparent manner,” said Prabal Adhikari, chief of the Power Trade Department of the Nepal Electricity Authority. “A level of involvement of government agencies and approval must be required as a safeguard mechanism, and the rules must not be viewed as market restrictions.”

Earlier, the Independent Power Producers’ Association had been buoyed by the prospect of building individual cross-border power lines.

“In line with the Indian government’s policy on allowing export of electricity produced in Nepal through the existing transmission lines or by developing a new dedicated system, the private hydroelectricity sector is ready to invest in building such infrastructure if there is a government-level understanding,” the association said in July.

After coming to know of the newly proposed rules, independent power producers in Nepal are contemplating other ways to sell electricity to India, apart from proposing direct cross-border links.

“We can still opt for forming joint ventures with public entities both Nepali and Indian and propose building dedicated power lines," said Shailendra Guragain, president of the association. “However, our government should push for an open market rather than abiding by the terms of a centralised power trading mechanism.”

According to the Central Electricity Authority of India, the objectives of the proposed procedures are to facilitate coordination with nodal agencies and authorities of neighbouring countries for transmission system planning, joint system studies, surveys, preparation of feasibility study reports, system development, construction, erection, monitoring, testing, commissioning, operation and maintenance of transmission system for import-export of electricity in a transparent manner.

If issued as they are, the procedures require Nepal’s power utility to include details of generation plants, quantity of power to be traded, timelines for commissioning of transmission systems, information on the type of terrain, forest and wildlife sanctuary, right-of-way constraints and preferred voltage levels.

The Central Electricity Authority has also proposed to form a joint operation committee to carry out functions pertaining to grid safety, security and operation.

Source: The Kathmandu Post, July 24, 2019

Nepal Rastra Bank rolls out Monetary Policy 2019-20

Rajesh Khanal

Policy prioritises promoting bank mergers and achieving growth target.

Nepal Rastra Bank on Wednesday unveiled the Monetary Policy 2019-20 which analysts and the private sector say contain few policy measures to address the liquidity problem in the banking sector and stabilise interest rate fluctuations.

According to them, the central bank has accorded priority to promoting bank mergers and achieving the government's ambitious growth target of 8.5 percent for the fiscal year 2019-20. They doubted the central bank would be able to handle the volatility observed in interest rates.

Almost throughout the last fiscal year, banks were struggling to manage loanable funds as loans overtook deposit collection. The lending spree led to a mismatch between the growth in deposits and loans. The shortage of loanable funds led banks to engage in an interest rate war, and interest rates soared.

This even prompted the International Monetary Fund to warn that prolonged rapid credit expansion by Nepal’s banks and financial institutions over the last few years could lead to a build-up of credit and liquidity risk.

As part of the effort to stabilise interest rate fluctuations, the central bank has reduced the bank rate to 4.5 percent from 5 percent. The monetary policy also talks about tightening the spread rate and effectively implementing the interest rate corridor to address the problem of interest rate volatility.

The monetary policy has also permitted commercial banks to diversify their sources of borrowing by allowing them take loans from pension funds and foreign hedge funds. Earlier, banks could take loans only from commercial banks abroad.

In addition, the policy has made it mandatory for banks to issue 25 percent of the paid-up capital in debentures by mid-July 2020. Banks have been allowed to collect fixed deposits from foreign citizens and non-resident Nepalis with a minimum maturity period of two years.

Anal Raj Bhattarai, former banker and coordinator of the banking committee at the Confederation of Nepalese Industries, said it would be difficult for the central bank to check interest rate based on the limited tools that it has enforced through the policy.

Private sectors have been demanding the central bank to reduce lending interest rate stating that the high interest rate has increased their cost of borrowing. Bhawani Rana, president of the Federation of Nepalese Chambers of Commerce and Industry, expressed her doubt that the monetary policy could help check the soaring interest rate being charged by the banks.

This time, Nepal Rastra Bank has not revised the cash reserve ratio and statutory liquidity ratio for banks and financial institutions. These tools play a major role in easing the banks' liquidity position.

The policy is also silent when it comes to revising the threshold in the credit to core capital-cum-deposit (CCD) ratio, which bankers have been pressuring the central bank to address through the monetary policy.

Currently, the CCD ratio imposed for banks and financial institutions stands at 80 percent, which means a bank cannot extend more than 80 percent of its deposit and core capital as loans.

"As the monetary policy has failed to address these issues, it might not help banks to expand their credit," said Rana.

Kamlesh Kumar Agrawal, vice-president of Nepal Chamber of Commerce, said the effectiveness of the policy can be only realised if it is implemented. "The central bank has not been effective as a regulator, so it will be a challenge for them to actually implement the policy," said Agrawal.

Despite the controversies surrounding the effectiveness of the policy in addressing the liquidity position and soaring interest rate, the central bank is confident that the policy will help the government meet their ambitious economic growth rate of 8.5 percent this fiscal year.

For the purpose, Nepal Rastra Bank has targeted to expand credit to the government by 24 percent, up from the target of 22.5 percent in the last fiscal year. Similarly, it will be extending the loan amount to the private sector by one percent to 21 percent.

Speaking at the launch of the Monetary Policy, Nepal Rastra Bank Governor Chiranjibi Nepal said the expansion of credit to both government and the private sector could boost the availability of funds to invest in productive sectors. According to him, the government will need to invest Rs450 billion while the private sector needs to inject Rs1.25 trillion in order to achieve the government's targeted economic growth.

The central bank has also eased the regulatory provisions for banks to merge by mid-July 2020. The policy allows merging banks to maintain the spread rate at 4.4 percent, 10 percent agriculture sector (primary sector) lending and issue date of debentures within the next two years.

Bankers are elated by the Nepal Rastra Bank's policy on not forcing banks to merge, except in the case of cross holding, in which an individual is in the board of directors of two institutions. "The monetary policy could consolidate banks via merger to stabilise the financial sector," said Anil Keshari Shah, chief executive officer of Nabil Bank.

Source: The Kathmandu Post, July 26, 2019

Nepal, India energy meet delayed

The Indian side is yet to set a date for the crucial meeting, energy officials say.

Prahlad Rijal

Nearly a month after the expected date of the secretary-level meeting between Nepali and Indian energy officials, the meeting is nowhere in sight.

According to Energy Ministry officials, the Indian side is yet to propose a date for the crucial meeting expected to settle implementation and financial modality issues of the New Butwal-Gorakhpur cross-border transmission line, the major component of a $630 million pact between Nepal and US Millennium Challenge Corporation, among others.

“The meeting has been delayed due to the recent elections and probably because of bureaucratic changes in India,” said Prabin Raj Aryal, spokesperson for the Energy Ministry. “We are hopeful that our counterparts will propose a date in August and settle issues bogging down the important project. But we are yet to receive word.”

Initially, energy officials of both countries had decided to hold the seventh meeting of the committees—overseeing the implementation of various power sector deals between the neighbouring countries—in June in Bangalore, India.

Earlier this month, officials of the power utilities of both countries had decided to push the issue of the Butwal-Gorakhpur power line to the seventh secretary-level meet. However, no concrete terms have been fixed yet, apart from a broad agreement that the lines would be built by a commercial entity.

Talk of a commercial entity had surfaced after the Indian side rejected Nepal’s proposal to build the power line under a government-to-government financial model.

Officials now have proposed to form a joint venture between Indian and Nepali entities with an equal portion of grants and interest-free loans from the respective governments. But an agreement on the proposed investment modality is yet to be reached because of questions over the commercial viability of the arrangement.

According to Aryal, the Energy Ministry is still evaluating financing options and is in no position to call a meeting or set a date without receiving word from the Indian side.

The construction of the 135-km-long 400 kV transmission line will allow the power utility to export electricity procured at a lower rate during the rainy season when output swells due to high water levels in the rivers, and import power during the dry season when output drops.

Apart from hindering the progress of the multimillion electricity transmission and strategic road project, lack of an agreement will also limit the options for power trade with India, particularly deferring the export of surplus energy which Nepal is poised to produce in the upcoming year.