



IPPAN

JUNE 2014

INDEPENDENT POWER PRODUCERS' ASSOCIATION, NEPAL

Message from IPPAN President

I took over as the president of this esteemed association, IPPAN when it has just realized that there are more challenges to move ahead than there were in 2006. Investors had tremendous hope and enthusiasms post 2006 thanks to power summits in 2006, 2007 and 2008 that was built upon the euphoria of historical political changes in 2005. But everything went in to slow motion thereafter and Power Summit 2013 was organized to catalyze the pace.

Within short period we were able to take 20% PPA rate increase for to a decision level and ministry of energy has forwarded VAT subsidy issue to finance ministry which now needs to be assured with actual budgeting. But as more and more developers enter the game, more and more issues become visible and reconfirm that, there are challenges in every step to name few: exact amount of VAT subsidy is still to be decided by the ministry of finance, NEA is unwilling to make new PPA and especially NEA asking bid for only dry season generation is tantamount to asking for dry energy sale from projects, four years of delay in Khimti-Dhalkebar transmission line is the reality that, it is extremely likely that many projects will be built sans evacuation. NEA forecasting a system saturation hence a net loss of above rupees 20 billion a year post Upper Tamakoshi and government agencies such as WECS, IBN more-or-less aligning with the same demand forecast shows that, Nepal becoming a hydropower country is far from the truth. Similarly, NEA has stopped increased payments for amended PPAs and is refusing to amend other PPAs,



Khadga B. Bisht- President, IPPAN

VISION OF IPPAN

To be the umbrella organization of IPPs that advocates for an investor-friendly environment for power development in Nepal.

MISSION OF IPPAN

- » Lobby for private sector friendly policies, regulations and their prompt and effective implementation.
- » Disseminate information through media, seminar, conferences to political parties, government, Officials, civil societies and the people.
- » Build capacity of IPPs and related stakeholders.
- » Develop linkages for regional co-operation in power Sector.

Ministry of Forest is imposing "Pay for Environmental Services – PES", and Government of Nepal has yet to decide on IPPAN proposal for BOT model transmission.

Energy Demand Forecast vis-à-vis PPA: NEA has almost stopped entering into new PPA citing over-supply and loss through spillage post Upper Tamakoshi in 2017. It is but natural to ponder that such situation has already occurred when only 50% of the nation is connected to the grid and only 50% of time the connected ones get electricity and only 2% of the total energy need is shared by electricity. But even the case may be what NEA has projected, it should be independently verified and if it turns out to be true, an alternative strategy needs to be immediately looked into. However, study from experts such as Dr. Amrit Nakarmi points out a medium demand scenario of over 4000MW by 2020 if certain interventions on energy consumption such as substitution of imported fossil fuel by utilizing electricity in cooking, in transport and higher penetration in agricultural is done.

Power trading mechanism: The talk of energy saturation post 2016, be it true or not, naturally brings all of us to seek for a greater possibility and that is energy trading with our southern neighbor. In the back-drop of the post 2008 global economic meltdown, India's GDP growth of almost 9% went down to 4.5% in the last quarter of 2013 as a consequence energy demand has been very sluggish. There suddenly seemed over-supply from the already commissioned plants and many power projects in India were shelved. However, economic cycles are accepted phenomenon and are short term but hydropower projects are long-term and should be looked with a long term perspective. Also India is considering breaking up its power distribution utilities from wire business to cut losses that have saddled the mostly state-controlled industry with more than \$32 billion in debt. Efficient Indian utilities and strengthened network in India will increase the demand of electricity. And euphoric business sector in India with inauguration of Narendra Modi's majority government in India, this is right time that Nepal should prepare itself for power trading opportunities for which an umbrella power trade agreement, at least 3 large capacities cross border transmission line, a 400kV east-west southern line and high capacity basin-wise power evacuation infrastructure are put high on the agenda and start developing huge back-log of licensed projects. Power trading company could be a joint venture of NEA with Indian power trading company and other Nepalese power companies to start with.

Power transmission: Experiences and studies has shown that the separation of transmission function

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from erstwhile vertically integrated electric utility has brought far better result in almost all countries that has adopted de-regulation. We also feel that, government should either establish an independent state-owned transmission authority responsible for all above 220kV transmission line or separate the existing transmission function from NEA and make it a national transmission. This will give a clear direction, specialization, unified focus and donor support on transmission lines. We feel that for shorter line below certain length up to a pooling station should be entirely built by the project developer, lines longer than certain length and that also evacuates multiple projects up to pooling station should be built under BOT model where the developer constructs the line and over a period of 15 years recovers its cost and hands over line to NEA. The design criteria and capacity allocation shall be done by NEA or new transmission authority. The BOT model will address the issues of public procurement, design standards and capacity allocation. Detail homework on BOT models is already done and a proposal is submitted to the Ministry of Energy for decision.

Financing hydropower projects: Predominantly short term deposits of the banks in Nepal have difficulty matching the long term borrowing requirement of hydropower projects. Hence, we need to explore avenues to tap long-term funds for financing of hydropower projects. In this case HIDCL could be one of the most important vehicles for lending to hydropower projects. Multilaterals such as IFC issuing local currency bonds could be an important aspect of it and the recent approval by the government of Nepal to IFC for issuance of 500 million USD equivalent of local currency bond is a welcome step. Similarly establishment of infrastructure development bank has been widely discussed as a solution to project financing and now it is high time that we establish it. Prior to these important decisions there are certain regulatory restrictions and difficulties for a hydropower developer while using loans from banks such as re-scheduling loans, high swap fee, interest capitalization and very short refining tenor etc. that needs to be addressed as soon as possible.

PES Issues: Pay for Environmental Services were probably introduced for country's compliance with the international conventions or learning from the experiences of countries that have introduced it. But we think without comprehending the whole tax and royalty regime of these particular countries, just making a cut-paste of such regulations makes it a logic without premises. Ideally, a royalty should cover all such payment for resources and hence should immediately be rolled back.

Project Development Agreement: PDA are the cornerstone of government's and the developer's commitment for sharing risks and benefits and for comforting the investors but the PDA has been on table since 2011. It had taken almost a year to convince the authority that there is a need of PDA especially for large and FDI projects but then with regular change of government PDA has gone treacherously slow thus frustrating developers. It should be concluded as soon as possible and government should also ensure security to project especially large projects when they are regularly haunted by locals.

Harmonization of Law: One window policy has been a good start in 1992 but as we moved ahead we realized that many acts, regulations and directives contradict each other and with an outcome of delaying things. We feel that the acts that need to go to the parliament shall be taken seriously and IPPAN should be part of it in all discussions, but regulations and directives that can be done at cabinet and ministerial level should be harmonized as soon as possible. IPPAN, by employing an independent legal firm and through the support of IFC has submitted a comprehensive report on harmonization of laws and submitted the report to the Investment Board Nepal. Now it needs to be implemented as soon as possible.

Foreign currency based PPA: Foreign direct investment is a substantial capital base for developing and newly industrialized economies (NIEs). Many countries of South East Asia and now China and India and slowly growing up African continent are vying for the foreign direct

investment in infrastructure projects such as telecom petroleum, power production, expressways including airports. FDIs pour in only when the investments have a business case that is to say, they can be taken as a project and a revenue stream is possible and justifiable through a regulatory mechanism. In Nepal, only Hydropower sector has reached at that stage and today all licenses are given under a Build Own Operate and Transfer (BOOT) scheme. So development of a hydro project becomes a business case where the revenue is more-or-less guaranteed over the license period. But then what happens when the revenue is in local currency (NPR) and the investment is in foreign currency (say USD). Can revenue collected in Nepalese Rupee guarantee a revenue stream for an investment done in foreign currency? There comes a problem of currency risk. Why should Nepal Electricity Authority do PPA in US Dollar and bear the cost of currency risk when it raises its revenue in Nepalese rupees? The flip side would be why a foreign investor should do PPA in Nepali when all he needs is the US Dollar. These are equal and opposing forces of argument. To take Nepal out of this Newton's Third Law dilemma, we need to find the answer if we still believe in the dream of developing 42000MW of feasible hydropower in near future. We all are aware that, with the size of our current GDP and the possibility of that going for hydropower, domestic capital will take a century to develop this quantum of generation capacity. Nepal will and must take FDIs for developing hydropower and many other infrastructure projects. And if there is a FDI, like it or not, revenue in an international convertible currency is a must. Sooner than later, policymakers from the Ministry of Energy, Finance Ministry and Nepal Rastra Bank should find out a way that assures rate of return to the FDIs and comfort to NEA as a sole buyer of electricity in Nepal. Least, castigating dollar based PPA and inviting FDIs in the same forum is a cannibalistic marketing of hydropower projects.

I think there are numerous challenges in the sector but these challenges will become obstacles when we bow down to it. At IPPAN, we are committed to overcome the challenges before they become obstacles and the best time to act is now.

IPPAN ACTIVITIES

12th Annual General Meeting of IPPAN



The 12th Annual General Meeting was held on 29th November, 2013 at Hotel Yak & Yeti. Out of 90 members 75 members were present at the meeting. IPPAN President Dr. Subarna Das Shrestha presented the Annual Report of IPPAN for the Fiscal Year 2069/70 on behalf of the

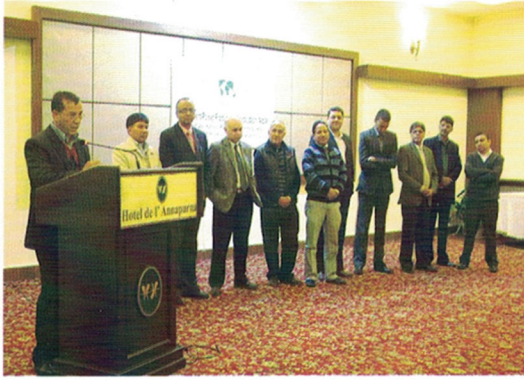
Executive Committee and the report was approved by the meeting. Similarly, the audited Financial Statements (Balance Sheet and Profit and Loss Statements) for the Fiscal Year 2069/70 was presented to the meeting by IPPAN Treasurer Mr. Narendra Prajapati and the meeting



approved the audit report. The following are the new Executive Committee Members unanimously elected under the leadership of Mr. Khadga B. Bisht.

Mr. Khadga B. Bisht- President, Mr. Shailendra Guragain- Vice President, Mr. Kumar Pandey- Secretary General Mr. Narendra Prajapati- Treasurer and EC Members are Mr. Ananda Chaudhary, Mr. Anand P. Subedi, Mr. Ashish Garge, Mr. Sudhir P. Timilsina, Mr. Tuk P. Paudel and Mr. Vinaya Bhandary.

Introducing new EC Members and IPPAN's Future course of Action:



Introductory Program was organized by IPPAN on 15 December, 2013 at Hotel Annapurna, Kathmandu to introduce new EC members who were elected by the 12th AGM. The representative from IFC, World Bank, Ministry of Energy, WECS, DoED and IPPs were present at the program. Mr. Khadga B. Bisht, President, IPPAN welcomed the new EC members, addressed the future course of action of IPPAN, and introduced EC to the stakeholders and to the media as well. Mr. Khadga B. Bisht, President briefly highlighted the need of taking such issues as national electricity demand forecast through an independent consultant, market mechanism development for power trade, establishment of a power transmission company, harmonization of laws and easing licensing procedure.

Similarly IPPAN should pursue new electricity bill format with focus on small and mini-hydro projects with re-financing possibilities thereby strengthening IPPAN institutionally. Mr. Bisht sincerely appreciated the contributions made by the Norwegian Embassy, Asian Development Bank, IFC and the World Bank towards IPPAN's activities and hoped that such contributions will still continue in the future.

President also announced the following six members of Advisory Committee that was formed

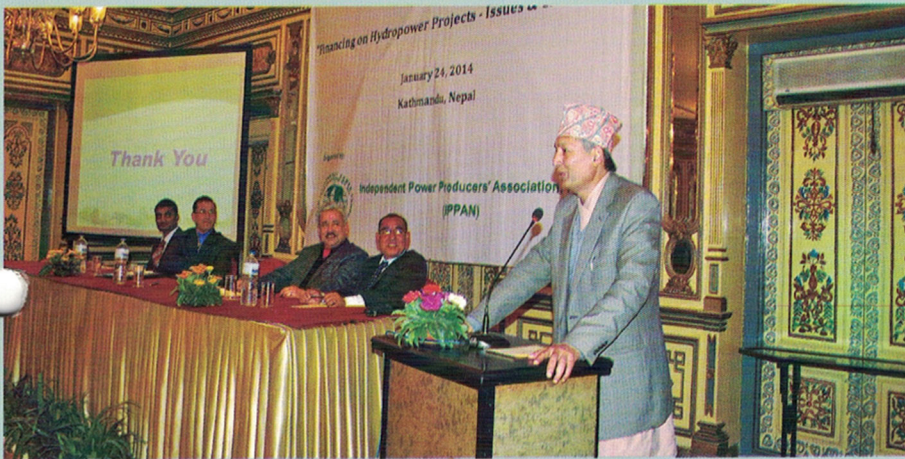
by the Executive Committee meeting of IPPAN.

- Mr. Gyanendra Lal Pradhan
- Mr. Kush Kumar Joshi
- Mr. Moti Lal Dugar
- Dr. Sandip Shah
- Mr. Umesh Shrestha
- Mr. Bijay Man Sherchan

The President Mr. Khadga B. Bisht also bid farewell to the Ex-EC members Dr. Sandip Shah, Mr. Moti Lal Dugar, Mr. Bharat Nepal, Mr. Pashupati Murarka, Mr. Kiran Malla and Mr. Dikendra Khandel by presenting them a token of appreciation for their contribution and for bringing IPPAN to this present status.



Interaction Program on "Financing of Hydropower Projects- Issues & Challenges"



IPPAN had recently organized interaction program on "Financing of Hydropower Projects- Issues & Challenges" on 24th January, 2014 at Hotel Yak & Yeti, Kathmandu. The program included a presentation on issues and challenges of financing a hydropower project with recommendations being made on how to improve the financing process leading to a financial closure. Nepal Rastra Bank Governor, Dr. Yubaraj Khatiwada had consented and did represent as the chief guest of the program.

Speaking at the Program IPPAN President Mr. Khadga B. Bisht highlighted that Nepalese Private Sectors are up-beat due to visible political stability in the country and is enthusiastic to increase the

power generation in the country. However, higher investment must be matched with cooperation from all sectors and especially Nepal Rastra Bank. He also elaborated on the latest finance related issues faced by hydro developers including the loan high swap-charges, fluctuating interest rates, refinancing difficulties and lack of long term funds to match long-term investment.

Mr. Ashish Garg, EC members of IPPAN presented a paper "Hydropower Financing Issues & Challenges" from developer's perspective and gave insight of the issues relating to financing of hydropower projects. He also mentioned that, although 12% of the lending should be directed towards Energy

and Agriculture, there will be hardly anything left for Agriculture while it will be merely a 2% in the hydropower sector. Mr. Kumar Lamsal, CEO of Kist Bank Limited presented a paper on Bankers' Perspectives. Mr. Lamsal spoke on several risk factors in financing hydropower projects and emphasized the need of transparency and commitment from developer's side. Chairman of the Nepal Bankers' Association (NBA) Mr. Rajan Singh Bhandari delved on the issues of sharing risks and benefits by the developer and the banker as well. He also added that no projects will remain non-financed if it has met all the right conditions. Bank CEOs, senior BFI officials (banks / financial institutions) and IPPAN members were present on the occasion.

The issues which were discussed at the seminar were:

- Interest rate for loans to hydropower projects
- Refinancing facility from NRB
- Restructuring/Rescheduling of Loans
- Prior approval for interest capitalization
- Prepayment fee
- Long term and low cost fund
- Swap fee

At the end of the program, Chief Guest from Nepal Rasta Bank, Governor Dr. Khatiwada highlighted the need of working together and understanding each other. He also suggested to increase the capital pool for Hydropower Finance and Development Company Limited and concluded by pointing out the urgent need of having local currency denominated bond for financing hydropower projects.



ICH- IPPAN training seminar on "Hydropower Financing and Risk Management"

IPPAN together with International Center for Hydropower (ICH) had organized a training seminar on "Hydropower Financing and Risk Management" from 27-31 January 2014 in Kasara, Chitwan. The program was financially supported by Royal Norwegian Embassy. ICH has been a leading institution in capacity building of the hydropower sector in Nepal since long. ICH jointly with IPPAN had conducted several trainings for capacity building in the hydropower sector.

Twenty four participants from the commercial banks, Employment Provident Fund, Investment Board, Nepal including two representatives from IPPs participated in the five day residential training course. The resource persons were from ICH and some were locals. IPPAN from its secretariat had assigned a person on a full time basis to be involved with the program and the secretariat was equally involved with the logistic management as well. The Program was inaugurated and addressed by the Secretary Mr. Bishwa Prakash Pandit, Ministry of Energy, Nepal and

also addressed by ICH and IPPAN.

The course was tailor-made for senior officers and executives with responsibilities in financial due-diligence, financial evaluation and other financial aspects and decision-making processes related to hydropower projects. The course focused on the important stages of financing of hydropower projects that enable a sound implementation the projects. It included the strategies and processes involved in securing the necessary financing for projects as well as exposing the relevantly associated risk factors and suggesting the ways to manage those risks by recommending the necessary factors that urgently needs to be considered.

The main topics of the training course were:

- Parameters for success in Hydropower Development
- Project Financing and Associated Risks

- Is there a donor support for private investments?
- Available sources of Financing for Hydropower Projects in Nepal
- Project Financing in Nepal- Banker's Perspective
- Project Financing in Nepal- Developer's Perspective
- Detailed on Due diligence of a Hydropower Project
- Legal and Regulatory Framework- Risks associated with Hydropower Project Development
- Geological Risk assessment and management
- Hydrology and Technical risks in Hydropower
- Environment risks mitigation, EIA/SIA, Physical, Biological and Socio-economic issues, Indigenous Communities, Endangered species, Stakeholder consultations, CIA, EMMP/SMMP, CSR
- Reducing risk by carrying proper O & M
- Road Map to Financial Closure
- Risk Management Group Exercise and group presentation

IPPAN Participated in the Nepal Economic Summit 2014

Federation of Nepalese Chambers of Commerce and Industry (FNCCI) in cooperation with the Government of Nepal had organized "Nepal Economic Summit 2014" on February 24-26 in Hotel Soaltee, Kathmandu with an aim of providing impetus to policy reforms for promoting Nepal as an investment destination.

The Summit was designed as a major part of a well-rounded reform initiative to help improve investment prospects and contribute towards an overall development of the investment environment. The summit brings together multiple stakeholders on the same platform to identify concrete issues and areas that need reform- especially in the areas of Agriculture, Tourism and Clean Energy and learn from similar experiences in Asia and develop action points to implement changes.



Mr. Khadga B. Bisht, President, Mr. Shailendra Guragain, Vice President, Mr. Kumar Pandey, Secretary General, Mr. Narendra Prajapati, Treasurer and EC members had participated in the program.

Mr. Kumar Pandey, Secretary General of IPPAN had regularly participated in the panel discussion session on Thematic Issues on Clean Energy along with other panelists, Mr. Keshav Dhoj Adhikari, Joint Secretary, MoEn, Mr. Gyanendra Lal Pradhan, IPPAN Advisor and Mr. Govinda Raj Pokhrel, ED, AEPC. The session was chaired by Mr. Bishwo Prakash Pandit, Secretary, MoEn. Mr. Khadga B. Bisht, President also highlighted the issues of hydro sector in the forum which were:

- Saturation on System Demand
- Connectivity issues:
- Policy issues:
- Institutional & Regulatory issues:
- Trading issues:
- Social issues:

He also suggested to Nepal Government on reform agenda for energy which were

Short Term

1. Importing electricity from India in the short term is a practical option available.
 - Speeding up the construction of Kataiya-Kusaha
 - Raxaul-Amlekhgunj transmission line
 - Butwal –Sunauli line
2. Expedite the project which are under construction by providing incentives
 - Implement the recently done PPA rates (20% increment)
 - VAT subsidy on civil construction materials



3. BOT model for transmission line for few corridors to start with
3. Establish mechanism for currency exchange risk mitigation and enter into foreign currency based PPA for FDI projects
4. Complete PDA as soon as possible

Medium Term

1. Establish a power trading company which
 - Does market study

- Does Load demand forecast for Nepal
 - Works on drafting an Umbrella Power Trading Agreement with India
 - G-G enter into Power Trading Agreement with India
 - Work with SAARC region interconnection
2. Bring the new Electricity Act, 2065 and draft Nepal Electricity Regulatory Commission Act,
 3. Establish an independent transmission company
 - Works on open access of transmission lines
 - Introduces a wheeling charge system
 - Construction and owning of cross border transmission lines.
 - Owns D-M Line
 - Constructs Bardaghat-Butwal-Gorakhpur line at 400kV
 4. Medium size Storage projects: Bring storage project which are not very controversial by
 - Announcing that the feasibility study is done
 - Capacity is fixed
 - EIA and other ground work is done
 - A maximum rate is offered say Rs. 8 or Rs. 10/ unit as an example
 - The bidder who offers the lowest rate gets the PPA

Long term measures

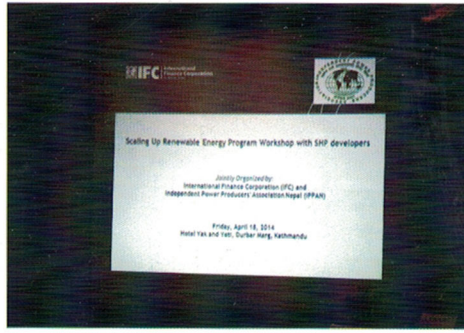
- Complete connection and synchronization with Indian and SARRC grid
- Start storage projects such as the Saptakoshi High Dam (3500MW) Pancheswor (Mahakali) (5600MW) and Karnali (Chisapani) 10800 MW .

Workshop on Scaling Up Renewable Energy Program-April 18, 2014

The International Finance Corporation (IFC), of the World Bank Group, in partnership with Independent Power Producers' Association Nepal (IPPAN) had organized a workshop on Friday, April 18, 2014 at Hotel Yak and Yeti, Durbar Marg, Kathmandu with Small Hydropower Project (SHP) developers to identify and assess the pipeline of small hydropower projects of 1 to 10 Megawatts in Nepal under the Scaling Up Renewable Energy Program (SREP).

SREP is a joint effort by ADB Private Sector Operations Department (ADB-PSOD) and IFC to scale-up investments in SHP projects. It aims to contribute to market transformation by building the capacity of local financial intermediaries and providing appropriate financial products, thereby fostering mobilization of private financial investment in SHPs while simultaneously increasing demand through end-user knowledge management and support. Through the program, ADB-PSOD and IFC would enable financing to creditworthy local banks with some tangible experience as well as





and also create appetite to build a new business line for SHP lending, along with providing related technical assistance for SHP projects up to 10 MW.

Mr. Kumar Pandey, Secretary General, IPPAN highlighted the importance of the program which will be focused to identify and create a pipeline of projects of 1 to 10 Megawatt capacity in Nepal that are looking for financing for construction. In the coming days SREP

along with ADB will conduct programs which can contribute to market transformation of the small hydropower sector, by building the capacity of local financial intermediaries and providing appropriate financial products. This will include assistance to local banks and financial institutions to fund hydro projects in a sustainable manner. SREP will also make financial resources available to develop projects. IPPAN has been in discussion with IFC to see how the pool of funds can

be increased and how many of our members in the small hydro fraternity can have access to these funds. Both IPPAN and IFC are mindful that creating high hurdles for accessing these funds will not benefit the Nepali small hydro power sector. Therefore IPPAN will continue to work with IFC and the developers and find ways that make it possible for Nepali small hydro developers to access these funds with minimal additional work or qualifying criteria.

Journalist Site Visit, Training and Orientation Program in Lamjung, Besisahar



On March 21-23, 2014 a team of 15 journalist involved in reporting energy sector were taken by IPPAN to site visit in Marsyangdi corridor in Lamjung district. The reason for choosing the corridor was that it has many projects under construction and it was the first district to declare adding 1000 MW in the government's 10,000 MW in 10 years vision. Today Marsyangdi A 50MW project, Radhi project, and recent financial close of Upper Dordi Project etc. make Lamjung a role model district for hydropower project.

The main objective of the Journalist Site visit was the capacity and consensus building to educate the Journalists on basics of hydropower and advocate and act so as to remove barriers to hydropower project development. The President of IPPAN, Mr. Khadga B. Bisht made presentation on the basics of hydropower, understanding the

energy conversion, understanding design discharge, head and energy values etc. The presentation topics were also covered on the regulatory framework as well as environmental aspects of developing a hydropower project. Marsyangdi A HEP developed by Sino-Sagarmatha Company, Khudi Hydropower Project and Middle Marsyangdi NEA's operating projects were also visited.

At the end of presentation and site visit an interaction program was held to introduce IPPAN to the local authorities and politicians and also obtain at least verbal commitment to support hydropower development in the district. Issues were raised to manage the Bandas and protest against project. Local authorities and politicians in Lamjung expressed their solidarity with the developer, they suggested project proponent



to make timely information so that undesirable incidences are averted. They expressed their commitment to make Lamjung a model district when it comes to Hydropower development. At the end, the response in Besisahar

was overwhelming and IPPAN was suggested to conduct an extensive campaign in Besisahar and also launch such campaigns in other districts where hydropower projects are being built or are being planned.

Training on Site Investigation, Design and Construction of Hydro and Transport Tunnels

Nepal Tunnelling Association (NTA) with cooperation with IPPAN organized 2 days training on Site Investigations, Design and Construction of Hydro and Transport Tunnels, 19-20 December 2013, Yak & Yeti Hotel, Kathmandu.

This training was very important to train human resources of Nepal for development of Hydropower, Road tunnels etc. The main objective of training program was to train Engineers, Geologists and tunnel technician working in field of tunnelling on basic to advance knowledge onsite investigation, tunnel design and construction. This course was designed to provide basic to advance level information to young engineers and to update tunnelling professionals on topics related to site investigations, tunnel design and construction. The course topics were presented in such a way to build the basic and advanced concepts of design and construction necessary for professionals to understand the importance and benefits of site investigations.



MEETINGS

Meeting with H.E. Ms. Mashfee Binte Sham, Bangladesh Ambassador to Nepal



Bangladesh Ambassador to Nepal, Her Excellency Ms. Mashfee Binte Sham together with Commercial Council visited IPPAN office on 10th Feb., 2014 at IPPAN Office.

Meeting was basically focused on possibility and need of Bangladesh in importing hydropower from Nepal. Ambassador said that Bangladesh power system is based on imported coal and domestic gas which are now becoming expensive and polluting sources. Today Bangladesh is almost dependent on natural-gas fired generation (89%), the country is confronting a simultaneous shortage of natural gas and electricity. Nearly 800 MW of power could not be availed from the power plants due to shortage of gas supply. Other fuels for generating low-cost, base-load electricity, such as coal, or large hydropower are not readily available. For a balanced regional development power trading is the best option and hence Government of Bangladesh likes to pursue a tripartite discussion with Nepal-India-Bangladesh on power trading. Bangladesh is buying 200MW out of 500MW agreed from India and has already started a discussion with Bhutan on this.



Bangladesh Prime Minister will raise the issue of importing energy from Nepal in the SAARC Summit planned to be held in Nepal.

H.E. Ms. Mashfee Binte Sham, Bangladesh Ambassador to Nepal extended an invitation for IPPAN to visit Bangladesh. Ambassador requested IPPAN to solicit advocacy towards the government on energy export and assured that in every meeting with GoN she will raise this issue.

IPPAN meeting with Ms. Radha Kumari Gyawali, Honorable Minister for Energy

On 27th March, 2014 IPPAN EC team led by President Mr. Khadga B. Bisht, met with Ms. Radha Kumari Gyawali, Honorable Minister for Energy to congratulate her on her appointment as the Energy Minister and to introduce the new Executive Member of IPPAN. The President congratulated the new minister and expressed his wishes that finally a stable government fraught with policies can be experienced henceforth. He handed over the "Hydropower Nepal" book and highlighted the status of project in Nepal and made everyone aware about the issues faced by the hydropower developers. Some of the issues put forth by the President were as follows:

- Implement new posted PPA Rate through budget recommendation
- VAT Subsidy civil construction material (recommended was Rs. 1 crore /MW)
- Re-starting PPAs with IPPs above 25 MW (which are stalled for a very long time)
- An independent electricity demand forecast to be done independently and establishing a power trading mechanism to deal with PPA being stopped.



- ⇒ Rescuing "sick" operational projects
- ⇒ Construction of Domestic and Cross Border Transmission Line
- ⇒ Approval of the development of short transmission line under BOT model by IPPs
- ⇒ Complete Project Development Agreement (PDA) for regaining international confidence
- ⇒ Removal of "Pay for Environmental Services" fees
- ⇒ PPA tariff adjustment through a joint committee

Responding to the issues raised by IPPAN team, Minister reiterated that Government of Nepal is determined to work seriously with IPPAN on hydropower projects in the most effective manner since it will stimulate the whole economy. She further said that, specific issues of PPA rates, VAT subsidy and power trade are being worked out in the ministry.

IPPAN meeting with Dr. Ram Sharan Mahat, Honorable Minister for Finance

IPPAN EC Team led by Mr. Khadga B. Bisht, met Dr. Ram Sharan Mahat, Honorable Finance Minister on 2nd April, 2014. IPPAN president congratulated the minister on his assumption of the finance portfolio and reiterated the bold steps taken by the minister during his earlier tenure as Finance Minister by introducing power sector reforms and adopting market based economic system so as to bring efficiency and competitiveness in the sector. President also said that due to the half-done sector reforms where a single buyer and multiple seller market exist, due to the instability in the political and bureaucratic regime, although visibly vibrant, electricity sector has not yielded the expected results. The President introduced IPPAN executive team and briefed the minister about the problems faced by the IPPs and had put forth the following issues.



- ⇒ Carry the second stage of sector reform through

enactment of Electricity Bill

- ⇒ Implementation of posted PPA Rate as per the decision already made

- ⇒ VAT Subsidy on civil and construction materials
- ⇒ Application of IFC NPR bond for smaller size projects as well

IPPAN meeting with Mr. Rajendra Kishore Kshatri, Secretary, Ministry of Energy



On 26th May, 2014 IPPAN EC team led by President Mr. Khadga B. Bisht, met with Mr. Rajendra Kishore Kshatri,

Secretary, Ministry of Energy to congratulate him on his appointment as the secretary for Ministry of Energy.

The President congratulated the new secretary and expressed his wishes. He handed over the "Hydropower Nepal" book and highlighted the status of projects in Nepal and made everyone aware about the issues faced by the hydropower developers. Some of the issues put forth by the President were as follows:

- ⇒ Implement new posted PPA Rates through budget recommendation
- ⇒ Re-starting PPAs with IPPs
- ⇒ Construction of Domestic and Cross Border Transmission Line
- ⇒ Complete Project Development Agreement (PDA) for regaining

international confidence

- ⇒ Rescuing "sick" operational projects
- ⇒ PPA tariff adjustment through a joint committee
- ⇒ Approval of the development of short transmission line under BOT model by IPPs
- ⇒ Removal of "Pay for Environmental Services" fees

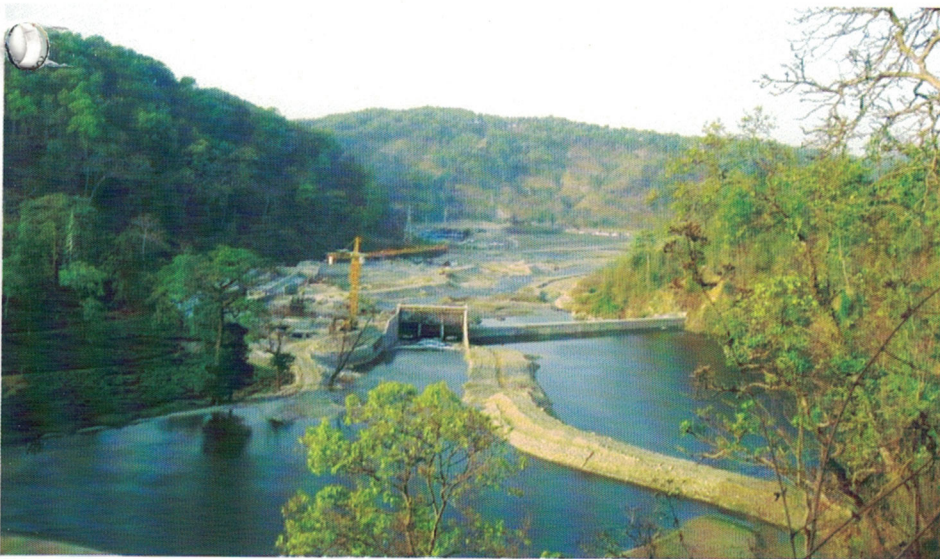
Responding to the issues raised by IPPAN team, Secretary reiterated that Government of Nepal is determined to work seriously with IPPAN on hydropower projects in the most effective manner since it will stimulate the whole economy.

United Modi Hydropower Limited

United Modi Hydropower has been converted into a public limited company from 28 Chaitra 2070. It has developed Lower Modi-1 Hydropower Project (10MW) which is now in operation since last 1.5 years. The company also owns license for the cascade project of 10.5 MW (Lower Modi-2), which is in progress. The detailed design and IEE works are near to completion and the company has already applied for PPA and construction is expected to start immediately after PPA. The company is planning to for IPO of its shares to public and has already signed agreement with NIBL Capital for issue management.



Mai Hydropower Project (22 MW) in the phase of completion



Headworks

Sanima Mai Hydropower Limited a special purpose vehicle company under Sanima Hydro is implementing Hydropower Project –MHP (22 MW) and Mai Cascade Hydropower Project- MCHP (7 MW) both situated at Danabari, Chisapani and Soyak V.D.Cs of Ilam District.

MHP having its required commercial operation date (RCOD) on 14th July, 2014 is in verge of completion with more than 90% construction work completed while that of MCHP (RCOD on July, 2015) is in rapid progress. The electricity generated from both projects will be transmitted to national grid via Nepal Electricity Authority's (NEA) under construction Damak -Kabeli Corridor transmission line. Damak- Kabeli corridor's first section which is of 34 km with 93 towers needs to be completed for evacuation of electricity generated by MHP within 14th July, 2014. According to information only 55 towers' foundation and 7 towers have been completed so far whereas the stringing process has not been started yet. On the other hand 80% work of MHP's own transmission line which is of 11.6 km with 37 towers has been finished till date.

Viewing the overall scenario, MHP's major bottleneck is completion of NEA's Kabeli corridor's first section



EM Works

up to Godak sub-station. Construction delay in this section will not only hamper uplifting the shortfall of electricity in eastern region and on national level but also it will create the financial burden to both project itself and NEA as well. Sincere effort of Jaguar Oversees India and Aster India (contractors) is very much essential for completion of this transmission line. The land acquisition and forest tree cutting issues have been all settled in section one. Thus there is a dire need of continuous work and supports from all the concerned authorities for achieving the targeted deadline. And with earnest effort it is timely achievable.

Sunrise Hydro Power Pvt. Ltd.

Bheri-III HEP

The survey license for Bheri-III hydroelectric project in Jajarkot district of Nepal was awarded to Sunrise Hydro Power Private Ltd., Nepal(Group company of Hindustan Power Pvt. Ltd., India)in August 2012. Since then the company is actively conducting the Survey and Investigation activities in a systematic and quality manner and have completed desk studies, topographical survey, geological mapping and hydrological studies. The drilling works are going on at the site. The three six monthly progress reports have been submitted to DoED well within time. The other studies like ToR/Scoping, EIA/ EMP, Power potential, layout finalization are also advancing. A presentation was made to DoED officials on the progress of the project works and DoED officials have appreciated the pace and quality of works of survey & investigation of the Project.

ThuliBheri-I & Tallo (Lower) Bheri HEP

Other associate companies of Hindustan Power Pvt. Ltd. are also progressing in the similar way in ThuliBheri-I and TalloBheri HEP. The desk studies, topographical survey, geological mapping and hydrological studies are also completed for these projects. The three six monthly progress reports have been submitted to DoED well within time. The other studies like ToR/Scoping, EIA/EMP, Power potential, layout finalization are also advancing. A presentation was made to DoED officials on the progress of the project works and DoED officials have appreciated the pace and quality of works of survey & investigation of the Projects.

UPCOMING PROGRAM

SAARC CONFERENCE ON CROSS BORDER POWER TRADE

SAARC Energy Centre (SEC), Islamabad together with Independent Power Producers' Association, Nepal (IPPAN) and Independent Power Producers Association, India (IPPAI) is hosting a 2-day conference in Kathmandu, Nepal on June 27-28, 2014 to deliberate on issues on harmonizing regulations and policies among the SAARC Member States in order to prepare and promote the power trade in the Region with the ultimate objective of creating the SAARC Power Grid as a part of the SAARC Energy Ring envisioned by the SAARC Summit 2004 held at Islamabad.

The Conference will be participated by policy makers, regulators and other stakeholders from public and private sectors. Ministers/Secretaries of Ministries of Power, Chairmen of Electric Power Regulatory Authorities, Diplomats and senior representatives of Power Industry in South Asia as well as IFIs will be invited. The Conference will be addressed by leading experts and key stakeholders from the Region.

Bhairabkunda Small Hydropower Project started the Test Generation



Bhairabkunda Small Hydropower Project has started the test generation from 9th May 2014. The project site is located at a distance of 110 km North-East from Kathmandu at Tatopani VDC of Sindhupalchowk District. Headworks of the project is located at Tatopani VDC approximately 1.5 km upstream from the confluence of Bhairabkunda khola and Bhotekoshi river towards Bhairab Kund Khola. The powerhouse is located on the left bank of Bhairabkunda Khola, just by the side where river crosses

Araniko Highway at Larcha Village of Sindhupalchowk District. Geographically, the project area is located in between the longitudes 85°55'53"E to 85°56'28"E and latitude 27°55'52"N to 27°56'30"N. Physiographically, the project area belongs to the high mountains and lies in between 1400 m to 1700 m elevation above mean sea level.

Bhairabkunda Khola Small Hydropower Project, (BKSHP) is a run of river project with installed capacity of 3.0 MW (2 x



1.5 MW) with the design. Discharge of 1.70 m³/s (Q53) and gross head of 226.77 m. The general arrangement of the project comprises Headworks on left bank of Bhairabkunda River, located about 1.5 km u/s from the

crossing of Bhairab Kund khola with Araniko highway. The gross energy production is estimated as 19.24 GWh. The dry season energy is 3.47 GWh and wet season energy is 15.20 GWh giving 18.67 GWh.

FRIDAY FORUM

"Insight to Decisions" Overview, Discussion and Demonstration of Analytic Hierarchy Process (AHP) based Multi Criteria Analysis (MCA)

Mr. Shashi Bhattarai
Chairman, Knowledge Holding International
(K-Hint), 25 April, 2014

The presentation was made with two objectives

1. Creating awareness on the state-of-the-art decision analysis tool based on the theory of Analytic Hierarchy Process (AHP), which is also commonly known as Multi Criteria Analysis (MCA)
2. Sharing experience and knowledge on AHP application focusing to Power Producers citing utility on their strategic decision analysis

Analytic Hierarchy Process (AHP) is most widely used multi criteria decision support technique in Business, Industry and Infrastructure development. The use



of AHP in corporate sector is observed to be rare or non-existent in Nepal, despite of its high strategic utility. As the corporate strategic decision analysis is strictly confidential, the real life application details are rarely seen as published documents, however plenty of application cases are seen in the form of academic exercise in journal papers.

The talk program was divided in three sections, firstly it

covers basics of real life decision, ecosystem of multiple criteria of conflicting objectives as an overview; second section covers discussions with its application potential & selected cases and lastly, it covers the demonstration of application via a promotional video of commercial software producer Decision Lens and a case of strategic decision analysis for a Hydropower project using another commercial software called Expert Choice (the most commonly used software in Business).

PHOTO GALLERY



Friday Forum



IPPAN team's at Hydro Asia 2014 Conference at Colombo



IPPAN's Interaction with local at Lamjung



Meeting with Ex-Finance Minister Mr. Shankar P. Koirala



Meeting with Norwegian Ministry of Foreign Affairs at Norwegian Embassy, Kathmandu



Meeting with IPPAI, India Team



Meeting with Honorable Energy Minister



IPPAN at Hydro Asia 2014 Conference at Colombo



Mr. Tom Solberg, MD, ICH at HFRM Course at Kasara



Mr. Kush K. Joshi, Advisor, IPPAN interacting with Local at Lumjung Visit of IPPAN



IPPAN President Participated on SARIEI Regional Energy Markets Partnership Exchange at South Africa



Token of Appreciation to Mr. Moti Lal Dugar, Advisor, IPPAN



Token of Appreciation to Dr. Sandip Shah, Advisor, IPPAN



Mr. Kjell Hagensen at HFRM Course at Kasara

LIST OF IPPAN MEMBERS

Corporate Members

S.No.	Name of Company	Tel/Fax
1	Bhote Koshi Power Co. Pvt. Ltd.	4270027/ 4273516
2	Butwal Power Co. Ltd.	4784026/ 4780994
3	Himal Power Limited	5521864/ 5536411
4	Himtal Hydropower Company Pvt. Ltd.	5260259/5260773
5	Lamjung Electricity Devt. Company Ltd.	4232748/ 4232749
6	Molnia Power Ltd	4436027/ 4419703
7	Sanima Hydropower (P) Ltd.	4446442/4441277
8	Annapurna Renewable Energy (P) Ltd.	4414519
9	Khudi Hydropower Ltd.	2053003
10	Himalayan Hydropower Pvt. Ltd	4441216/ 4441217
11	Rairang Hydropower Devt. Co. Pvt. Ltd.	5111015/5111016
12	Mai Valley Hydropower Pvt. Ltd.	2052566/ 5522869
13	Manang Trade Links (P) Ltd.	4441131/
14	Balephi Hydropower Company Ltd.	4224074/4266133
15	IDS Energy Pvt. Ltd	4169116/4238496
16	PAN Himalaya Energy Pvt. Ltd.	4244352/4225685
17	Pashupati Energy Dev. Co. (P) Ltd.	4422803/4433610
18	Tundi Power Co. Pvt. Ltd.	5548573/5555574
19	Muktishree Pvt. Ltd.	4258339/4258338
20	Cemat Power Dev. Co (P) Ltd.	5539891/5539792
21	Ru Ru Jalbidhyut Pariyojana Pvt. Ltd.	4357563/4389703
22	Radhi Bidyut Company Ltd.	4234849/ 4234850
23	Upper Maiwa Hydropower Pvt. Ltd.	4033750/4033755
24	Upper Madi O Hydro Pvt. Ltd.	4033750/4033755
25	Super Khudi Hydropower Pvt. Ltd.	4033750/4033755
26	Unique Hydrel Co. (P) Ltd.	4033750/4033755
27	Shikhar Hydropower Co. Pvt. Ltd.	4033750/4033755
28	Ankhu Hydropower (P) Ltd.	4033750/4033755
29	Annapurna Group (P) Ltd.	4229222/
30	Grid Nepal Company Pvt. Ltd.	4442049/4436585
31	Welcome Energy Devt. Co. (P) Ltd.	9851095497
32	Nepal Hydro Developer Pvt. Ltd.	4441131/4441973
33	Dordi Khola Jalabidyut Co. Ltd.	4234849/ 4234850
34	Himalayan Power Partner Pvt. Ltd.	4002801
35	Naulo Nepal Hydroelectric Pvt. Ltd.	4428299/4428299
36	Numbur Himalaya Hydropower Pvt. Ltd.	4225009/4248695
37	Global Hydropower Associate Pvt. Ltd.	4268589/4248695
38	Nasa Hydropower Pvt. Ltd.	4244352/4225685
39	Rara Hydropower Devt. Co. Pvt. Ltd.	4033016
40	Sanima Mai Hydropower Pvt. Ltd.	4446442/4441277

S.No.	Name of Company	Tel/Fax
41	Tara Energy Pvt. Ltd.	5555707/5555701
42	Nimrung Hydropower Co. Pvt. Ltd.	4102651
43	River Falls Hydropower Devt. Pvt. Ltd.	16219566
44	Nyadi Group Pvt. Ltd.	4102651
45	Baishno Devi Hydropower Co. Pvt. Ltd.	4228816
46	Synergy Power Development Pvt. Ltd.	4440433
47	Energy Engineering Pvt. Ltd.	4478225
48	Upper Mai Hydro Devt. Pvt. Ltd.	5010631/5522869
49	GMR Upper Karnali Hydropower Ltd.	5260259/5260518
50	Lower Arun Hydro Electric Pvt. Ltd.	4247237
51	Sinohydro-Sagarmatha Power Co. (P) Ltd.	4284418
52	Essel - Clean Solu Hydropower Pvt. Ltd.	4423286/4260266
53	Chirkhwa Hydropower Pvt. Ltd.	4033016
54	Mailun Khola Hydropower Co. Pvt. Ltd.	2001348/4419703
55	Liberty Energy Hydropower Co. Ltd.	4238241/4226946
56	Sikles Hydropower Pvt. Ltd.	061-523557/061-523593
57	Hira Ratna Hydropower Pvt. Ltd.	4424619/4226330
58	Ambeshwor Engineering Hydropower Pvt. Ltd.	5000075/5000300
59	Alliance Power Nepal (P) Ltd.	4429533/4425363
60	Jumdi Hydropower (P) Ltd.	9841447281
61	Mount Kailash Energy Company Pvt. Ltd.	4387869/4350870
62	Daraudi Kalika Hydro P. Ltd.	4439152
63	C.E.D.B. Hydro Fund Ltd.	4261827/4260266
64	Nepal Water & Energy Development Company	4412257/4412557
65	Kalanga Hydro Pvt. Ltd.	4377462
66	Eastern Hydropower (Pvt.) Ltd.	5550587
67	Sanvi Energy Pvt. Ltd.	5522953/5532860
68	Dovan Hydropower Pvt. Ltd.	9851125161
69	Triyog Energy and Development Pvt. Ltd.	5528571
70	United Modi Hydropower (P) Ltd	4770886/4770884
71	Bhairabkunda Hydropower Pvt. Ltd.	4418319/4420108/ 4418131
72	Tamor Sanima Energy Pvt. Ltd.	4415022
73	Panchthar Power Co. Pvt. Ltd.	5251003/5251004
74	Idi Hydropower Company Pvt. Ltd.	9851018118
75	Ankhukhola Jalvidhyut Co. Ltd.	4102049
76	Sunrise Hydropower Pvt. Ltd.	91-11-47624100
77	Consortium Power Developers Pvt. Ltd.	4462856/4462856
78	Chhyangdi Hydropower Pvt. Ltd.	4265146/4259582
79	Puwa Khola One Hydropower Pvt. Ltd.	9851129708

Associate Members

S.No.	Name of Company	Tel/Fax
80	Shangrila Energy Ltd.	4431545/ 4439267
81	Clean Energy Development. Bank Ltd.	4671444/ 4277013
82	Klen Tech Pvt. Ltd.	4218888/ 4430396
83	SN Power	5521864/ 5536411
84	Nepal Hydro & Electric Ltd.	4785136/ 4781851
85	ICTC Pvt. Ltd	4434895/ 4434937
86	Himal Hydro & General Construction Ltd.	4038030/ 4038026
87	Hydro Solutions Pvt. Ltd.	4033751/4033755
88	Jyoti Bikash Bank Ltd.	4411116/4442192
89	Nabil Bank Ltd.	4227181/4226905
90	Himalayan General Insurance Co. Ltd.	4231788/4241517
91	Standard Chartered Bank Nepal Ltd.	4782333/4780762
92	Sanima Bank Ltd.	4428979/4428969
93	Sunrise Bank Ltd.	4004560/4422475
94	Nepal Investment Bank Ltd.	4225273/4245688

S.No.	Name of Company	Tel/Fax
95	ACE Development Bank Ltd.	4441110/4445554
96	Feedback Ventures Nepal Ltd.	4169104/4169106
97	Qiankang Allonward Hydro-Equipment Co. Pvt. Ltd.	4228816/4223570
98	Structo Nepal (P) Ltd.	5521192/5542118
99	Siddhartha Bank Ltd.	4442919/4442921
100	Laxmi Bank Ltd.	4444684/4444640
101	Grand Bank Nepal Ltd.	4168605/4168609
102	K-water (Korean Water Resources Corporation)	4442117
103	Jade Consult Pvt. Ltd.	4247237/4232171
104	Mahavir Shreee International Pvt. Ltd.	4110860/4110855
105	GCE Group Pvt. Ltd.	4222202
106	Ghatal Trading & Suppliers Pvt. Ltd.	4467461
107	NRNA NCC Russia	7255093999
108	Jin Long Hydropower Equipments Co. Pvt. Ltd.	5013037

INDEPENDENT POWER PRODUCERS' ASSOCIATION, NEPAL (IPPAN)

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