

## More RoR plants to get 'take or pay' PPAs

A recent decision of the Ministry of Energy has paved the way for hydropower producers, particularly those developing Run of River (RoR) type projects, to sign power purchase agreement with Nepal Electricity Authority (NEA).

The Ministry of Energy couple of weeks back directed the power utility to sign more PPAs with RoR projects on take or pay basis after the seven-year energy development plan revised the target of generating 17,000 MW in seven years, up from 10,000 MW in 10 years set earlier in 2016.

Take or pay means that NEA must pay power developers regardless of whether it needs energy or not. The decision is different from take and pay PPAs that NEA signed with several hydropower plants. The agreement means NEA can purchase electricity for project only when it needs and pay for the developer, accordingly. It had several projects unfeasible for bank loans.

The decision has ended uncertainty among hydropower developers regarding PPA. The developers can now enter the generation phase after signing PPA with the power utility. The decision allowed the NEA to raise PPA cap for RoR projects to 5,100 MW from existing 3,000 MW. National Energy Crisis Reduction and Electricity Development Plan unveiled in February, 2016, required NEA to put PPA cap for RoR projects at 30 percent to ensure balanced energy mix and discourage RoR plants which operate at low capacity during winter months when energy demand hits peak.

Different RoR projects having a combined capacity of 2,000 MW are waiting for the response of NEA on their PPA proposals. Different projects having combined capacity of 5,000 MW are awaiting nod from the NEA for PPA.

The Independent Power Producers' Association, Nepal (IPPAN) has welcomed the decision. Issuing a statement, IPPAN President Shailendra Guragain said that many developers, whose PPA proposals were pending after PPA signed by NEA reached the 3,000 MW cap, will feel relieved.

### NEA signs PPA for Upper Trishuli-1

Meanwhile, NEA has signed power purchase agreement with Nepal Water & Energy Development Co Pvt Ltd on Sunday to purchase electricity generated by Upper Trishuli-1 hydropower project (216 MW).

NWEDC is a joint venture company promoted by South Korean and Nepali investors. NEA Managing Director, Kulman Ghising, and NWEDC CEO, Bo Seuk Yi, signed the agreement on behalf of their respective organizations. According to the agreement, NEA will pay NWEDC in US dollar for 10 years or until the company repays its foreign loan, whichever comes earlier.

The plant located in Rasuwa on Trishuli River will generate 456.4 GWh of energy annually.

NEA will pay Rs 4.80 per unit for the energy generated during wet months, while PPA rate for the dry months has been set at Rs 8.40 per unit.

NEA also said that NWEDC, together with NEA and the government, will set up a hedge fund for sharing currency exchange risks. Nepal Rastra Bank will prepare guidelines for the fund.

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Energy Secretary Anup Kumar Upadhyaya, South Korean Ambassador to Nepal, Park Yong Sik, and IFC country manager Mohammad Rehan Rashid were present in the PPA signing program held at NEA. IFC will arrange loan debt for the project.

The project will enter construction phase in April, setting a target of starting power generation within five years, according to officials of NWEDC.

Source: My Republica, 29<sup>th</sup> January 2018