

**Government of Nepal
Ministry of Water Resources**

**Procedure for Issuing Survey Licenses for Projects with Installed
Capacity more than 100 MW**

As per Sub-article 1 of Article 4 of the present Electricity Act, 1992, a person or corporate body, who desires to conduct survey, generation, transmission or distribution of the electricity shall be required to submit an application to the prescribed officer along with financial, technical and environmental studies report and with other prescribed particulars on the related subject.

Accordingly, to issue survey license for generations with installed capacity more than 100 MW, the following procedures will be considered:

- 1 To process applications on case by case basis for applications, which does not have elementary effect on major projects identified in the past three master plan studies (Sapta Gandaki, Koshi and Karnali/Mahakali Master Plan) prepared by the government.
- 2 **To determine installed capacity of the proposed project for the purpose of the issuance of the license.** For this, flow with probability of 50 % exceedence (Q_{50}) in the hydrological time series data provided by the applicant shall be taken as basis. If the data provided by the applicant differs, the Department of Electricity Development can use data available at the Department to determine the installed capacity. But if the probability of exceedence given in the application is less than the above value, the lesser value shall be considered. If the determined installed capacity is more than the capacity shown in the application, the applicant shall be asked to provide additional deposits as per the rules for further processing.
- 3 **To consider net worth of the developer as basis for the financial capability.** For this, proof of net worth amounting to 5 % of equity amount, which is 20 % authorized liquid asset statement (or 1 % of the total cost) or official liquid asset statement for the last two months to be submitted. Present net worth of the promoter must be attested by the local licensed Charter Accountant. Also, the official audited report of the last year must be attached.
- 4 For technical capability, promoter must submit memorandum of understanding (MOU) or letter of commitment from established consultant(s) with experience in projects with capacity at least fifty percent of the proposed project. Even in case, the promoter itself is the consultant, the promoter has to fulfil the above condition. For foreign consultants, attachment of local consultant working in Nepal as per prevailing laws shall be guaranteed.

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- 5 If the promoter is not able to fulfil the financial/technical capability as per Clauses 3 & 4, financial/technical capabilities can be demonstrated by forming joint venture with other promoters/investors or by forming a special purpose vehicle. In this case, proof of memorandum of understanding (MOU) or official commitment letter must be submitted.
- 6 **To provide two months time to the first applicant for submission of proof of technical and financial capabilities as mentioned above.** If requested for time extension, submission time may be extended up to one month. If the promoter does not submit necessary proof and documents within the time to Department of Electricity Department, the license application will be annulled and deposit amount will be returned. In case other applications for the same project is registered, similar procedure will be applied.
- 7 **To award license for a two years period at the start.** The licensee must submit schedule depicting milestone works to be completed in the time period. These milestones will be conditions of the license and will be attached to the license. Works to be completed in two years period will include- a) Topographical mapping; b) Geological/geo-technical investigations; and c) Hydrological studies. Condition that only if these minimum works have been completed, the license period shall be extended by one year; will be mentioned in the license.
- 8 To cause submission of necessary proofs of technical/financial capabilities as per Clause 3 & 4 while requesting for revising installed capacity to 100 MW or more or for time extensions of licenses awarded before this procedure came into effect. Two months time period shall be provided for such promoters, if required.
- 9 **To promote projects studied by the government on competitive basis.** This procedure does not apply for mega and multi-purpose projects like Pancheshwar, Karnali Chisapani and Sapta Koshi High Dam, for which other processes as determined by the GON shall be applicable.

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