

10 April 2018

Mr. Rajan Khanal
Secretary
Ministry of Finance
Singha Durbar
Nepal

Dear Mr. Khanal:

Subject: **Grant No. 0520-NEP(EF): South Asia Subregional Economic Cooperation Power System Expansion Project – Additional Financing – Amendment to the Grant Agreement**

1. We refer to the Grant Agreement dated 18 January 2017 between Nepal ("Recipient") and Asian Development Bank ("ADB"), for the captioned project ("Grant Agreement"). All capitalized terms used but not defined herein shall have the meaning given thereto in the Grant Agreement, unless the context requires otherwise.

2. Following the request from the Recipient in its letter dated 4 February 2018 to revise the minimum power purchase agreement (PPA) rate of Nepal Electricity Authority (NEA) from NRs8.14/kWh to NRs6.60/kWh, ADB approved, on 28 February 2018, a change in the implementation arrangement of the project. ADB wishes to amend Section 1.02(v) of the Grant Agreement to revise the figure of the Tier 1 NEA PPA tariff rate from NRs8.14/kWh to NRs6.60/kWh. The amended Section 1.02(v) shall state, in its entirety:

"(v) "VGF" means viability gap funding to support the PPAs by providing grants to NEA to cover the difference between NEA's cost neutral tariff (NRs 6.60 per kilowatt hour) and the off-take price under its PPAs with private entities;"

3. Save and except to the extent set out in paragraph 2 above, the Grant Agreement remains unchanged.

4. Pursuant to ADB's Public Communications Policy on disclosure and exchange of information, the amendments to the Grant Agreement will be posted on ADB's website within 2 weeks from the date that the amendments become effective, after removing any information that falls within the PCP exceptions as specified by the Recipient.

5. Please indicate the Recipient's concurrence to the amendments set out herein and to the terms of this letter agreement by countersigning each of the two original of this letter agreement in the space indicated below. Please retain one signed original of this letter agreement for your records and return the other to ADB. The proposed amendments shall take effect on the date of receipt by ADB of a signed original of this letter agreement.

Yours sincerely,



Mukhtor Khamudkhanov
Country Director

A. Accepted and agreed.

B. Confirmed that the amendments to the Grant Agreement do not contain information falling within the PCP exceptions.

For and on behalf of Government of Nepal

Name: Rajan Khanal

Designation: Secretary

Date: 12 April, 2018



cc: Mr. Kul Man Ghising, Managing Director, Nepal Electricity Authority
Mr. Dinesh Ghimire, Joint Secretary, Ministry of Energy
Dr. Ram P. Mainali, Under Secretary, Ministry of Finance