

CTF India: Solar Power Transmission Sector Project
ADB response to follow-up questions
October 4, 2016

	Questions/comments	ADB responses
<p>France</p>	<p>We are aware that the deadline for approval was yesterday and, unless some other Member of the CTF Trust Fund Committee raised an objection, the decision is supposed to be approved. But we would however like to have further clarification from the ADB on the concerns that we raised.</p> <p>Indeed, we do not understand the explanation provided in ADB's response regarding the reason why CTF funding remains at the same level.</p> <p>We understand that:</p> <ul style="list-style-type: none"> • the changes in the project design (cancellation of Jaisalmer transmission subproject, and addition of three new subprojects) induce a reduction in the overall project costs, which means that we will have more solar power generation capacity (thus more potential CO2 savings), but less funding needed on transmission systems from the consortium ADB-CTF-Government, otherwise we do 	<p>The project is part of the 'world's largest and most ambitious' solar development program ever conceived setting a target of 100 GW grid connected solar projects by 2022 under the government's Jawaharlal Nehru National Solar Energy Mission. It is a programmatic type of investment from the Indian government's perspective and securing concessional funds is necessary to accelerate the program. The additional costs and risks associated with the aggressive renewable energy targets lead to the macro-economic need for concessional funds. The government aims to access CTF resources that—with their concessional nature—will provide value addition for grid expansion to facilitate the addition of solar generation capacity. As mentioned, CTF will buy down the cost/tariff of the transmission project and the cover additional risks of large scale grid-connected RE deployment.</p> <p>As per the India's Tariff Policy (2016), transmission charges for solar power are not levied on solar generators/offtakers, and are loaded to the other grid users. In addition to that, the cost of transmitting</p>

	<p>not understand why the overall costs would decrease. Thus a decrease in the size of transmission systems to fund. Or are we mistaken? Or were the overall costs miscalculated (overestimated) from the beginning?</p> <ul style="list-style-type: none">• Concessionality from CTF funding is needed to allow for reducing the tariff per kWh of the subprojects. <p>But then, as ADB and CTF funding are completely blended, if ADB funding decreases and CTF funding remains at the same level, ADB will consequently access to resources with a higher level of concessionality. Why would the project need resources with a higher level of concessionality if the whole package of transmission systems that need to be funded decreases? Is it because a higher package of solar parks to be connected to the grids induces a higher need for CTF funding to reduce the tariff per kWh of solar power put on the grids, and that this higher need for CTF funding on tariffs compensates the decrease in the need of CTF funding for building transmission systems?</p>	<p>solar power is actually much higher than conventional power (as solar power generally has a 20% plant load factor (PLF) whereas thermal power can run at a 80% PLF). This means that as more solar power is transmitted, the effective cost of power supply will increase for consumers.</p> <p>The current scenario indicates that while the project cost is reduced, more solar power will be transmitted (the number of the subprojects has increased; more private sector funds are coming in; and the downstream distribution costs will increase). This would lead to higher tariffs for consumers overall and hence requires more concessional loans.</p> <p>To reiterate, if CTF funding were to be proportionally reduced, this would drastically affect the project's viability and decrease its benefits (i.e. lower solar capacity, lower private sector funding from the generation projects, lower GHG emission reductions, etc.).</p>
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United States	Thank you for the opportunity to review this project, and for quickly responding to the answers from other TFC members. We are happy to approve this project, provided that we get confirmations that it will not engage in any procurement restriction practices. From our review, it does not appear that it will, but we just want to be sure. Thanks again.	No procurement restrictions.
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