April 1, 2016

[APPROVE BY MAIL]: INDIA: PROPOSED LOAN POWER GRID CORPORATION OF INDIA LIMITED SOLAR POWER TRANSMISSION SECTOR PROJECT GUARANTEED BY INDIA (CTF) (ADB)-XCTFIN228A

COMMENTS RECEIVED FROM THE UNITED KINGDOM

Mafalda,

Thank you for this proposal, firstly we'd like to say that it was very well written and included some really useful detail on the project. Our questions on the proposal are:

- Apologies if we've misunderstood this but our understanding is that the project is to connect 2000MW, including one known 1000MW project and one unspecified project. We wanted to understand where the second 1000MW project estimate was derived from, is there already a 1000MW project available or is this subject to change? Has a particular region already been identified for the 2nd sub-investment? We feel that it would make sense to optimise the location to access as many solar parks as possible (maybe by doing some sort of mapping exercise showing planned solar parks at this stage).
- GHG savings from this 2000MW installed solar capacity are fully attributed to this intervention, though arguably the transmission project is only indirectly responsible. Is there a chance that these GHG savings might be double counted (say if CTF funds, or other donor funds, are also used to finance other solar parks in India which are then connected to this transmission grid)? Could one way of addressing this be to combine the two investments and proportionately attribute the emissions savings from the two components?
- Does the project team think there could be any potential risks from the coal sector e.g. in the form of lobbying?
- Could the team please provide the results framework for the project?
- *"The CTF concessional financing will reduce the overall financial risk of the project by reducing the cost of capital"* by how much does the CTF concessional financing reduce the cost of capital?
- *"The project's financial viability was examined by comparing the incremental costs and benefits. The financial internal rate of return (FIRR) is calculated at 4.49% in real terms (8.87% on a nominal basis), which compares favorably with the estimated weighted average of cost of capital (WACC) value of 3.94% in real terms (7.66% on a nominal basis), thus substantiating the project's financial viability."* Would the project be financially viable without CTF concessional financing?
- Could the team provide more detail on what the sovereign guarantee covers?
- Could the project team provide more detail on how a loan term of 40 years (mentioned on p7 of the cover document) reconciles with a 25-yr operational lifetime (mentioned on p8-9)? We think that an operational lifetime of 25 years seems quite short for a transmission asset so would be grateful if you could provide more detail on why this assumption has been made; and if that is indeed the expected life of the project, we feel that the CTF loan financing shouldn't have a longer term than that so grateful if the team could provide some more information on the reasoning behind this.
- We've previously raised with other India Solar projects that we want to ensure that lessons are captured and shared given the scale of the solar projects in India, could the team confirm how this project will learn from earlier similar projects and also share learning from the project?

Kind regards,
Kate