

March 2, 2017

**[APPROVED BY MAIL]: MONGOLIA: UPSCALING RURAL RENEWABLE ENERGY- SOLAR PV  
(WORLD BANK) (SREP)- XSREMN056A  
WORLD BANK RESPONSE TO COMMENTS RECEIVED FROM THE UNITED KINGDOM**

#1. Over the decade of 2007-16, the import tariff from Russia had grown from 3.5 US cent/ kWh to 5.1 US cent/kWh, or an average annual rate of 4.3%. Since 2010, the import tariff has been quoted in RUB, and has been growing at an average annual rate of 15.1% in RUB terms. In the previous analysis, the assumption on the tariff trajectory did not reflect this recent trend line and was therefore forecasting a fairly slow adjustment of the import price. The adjusted annual growth rate of 3.0% per year is still slower than the average growth rate of the last decade, so still on the conservative side.

#2. The updated analysis assumes that transmission losses are reduced by 1 percentage point due to the much shorter distance that the power will travel due to the close proximity of the solar plant to the network load centers – compared with the longer transmission distance of Russian imports. This effect was not calculated correctly in the first set of calculations.

#3. Solar power plants are not O&M heavy and a review of international experience showed that O&M of 2% of capital costs would more accurately reflect real costs.

#4. The team agrees that this is a good suggestion. Such analysis will be carried out during project implementation.