

July 12, 2013

**Comments from Canada on Approval by Mail: India : Rajasthan Renewable Energy Transmission Investment Program (ADB)**

Dear Patricia,

Thank you for the opportunity to provide comments on this project.

While we support the project proceeding, we would nevertheless appreciate some further information regarding how the project will meet its important objectives. We note that the project proposal states that CTF co-financing will help mobilize future commercial investments for replication and scale up, which will stimulate economic growth and facilitate the long-term transition to low-carbon development. The draft Report and Recommendation of the ADB also states that CTF financing will improve the overall financial attractiveness and will help the transmission utility undertake the required investments until future regulatory adjustments allow higher tariffs and returns. However, the Independent Review Team noted that it is not clear how the assertions can be inferred given that investments in transmission infrastructure for renewables projects that provide intermittent power will remain a barrier to investment. Also, there is no assurance that policy or regulatory changes will be made in the near future that will allow transmission companies to obtain a tariff that provides an adequate return on capital invested. While the response to the Independent Review Team notes that existing policies will support the distribution companies until they bring down their losses, we expect it will remain difficult to replicate the projects without subsidies in the absence of policy or regulatory changes in the future that would allow transmission companies to obtain the required tariffs. We would therefore welcome further exploration of this important concern, including a discussion of the impacts (positive or negative) of existing and planned measures.

Kind regards,

Michelle Kaminski