

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Risk of additional unexpected approvals and other delays in absence of a signed power exchange agreement.	Low	During fact-finding, all relevant ministries and departments were consulted to minimize this risk. As a result all necessary approvals were secured before loan negotiations including signing of power exchange agreements between the utilities in Malaysia and Indonesia, which has been ratified by the respective ministers. This has locked in technical and political support for the project.
Environment approval causing delays	Medium	During fact-finding, this was raised with the Ministry of Finance, Bappenas, and PLN as a critical item to be addressed. Before loan negotiations, PLN received all environmental approvals from both local and national authorities.
Land acquisitions and resettlement related issues causing delays	Low	PLN has secured the land for the Bengkayang and other substations. The project involves no resettlement. Compensation for loss of income is the only issue. Population density is low and the number of affected households is also low.
Cost overruns	Medium	Cost estimates were based on actual data from current projects. The actual bid results indicate estimates are within the budgeted amounts.
Unsynchronized completion of the transmission lines	Medium	Both utilities adopted advance procurement actions to fast track implementation.
Delay in finalization of subsidiary loan agreements may affect implementation and disbursement.	Medium	Project readiness has been ensured in compliance with government criteria.
Consumer not accepting proposed business model for new connection despite wide consultation.	Low	Residential consumers will be part of energy efficiency awareness campaign and project inception mission will engage wide range of consumers.
Overall	Low	

ADB = Asian Development Bank, Bappenas = Badan Perencanaan dan Pembangunan Nasional (National Development Planning Agency, Indonesia), SESCO = Syarikat SESCO Berhad, SCADA = Supervisory Control And Data Acquisition, MW = megawatt, PLN = Perusahaan Listrik Negara (State Electricity Corporation)

Source: ADB staff estimates.