

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan or Measures	Assessment with Mitigation
Delay, failure to complete interconnection facilities in India	Medium	Bulk power transmission agreement signed. The joint coordination mechanism supported the physical interconnection. PGCIL has informed that the last tower will be completed in Q3 2013. Stringing has been done for other towers.	Low
Delay, failure to enter into binding power purchase agreements or non extension of the cooperation agreement after January 2015	Medium	The Government of Bangladesh is aware of this risk and expressed comfort with the documented political commitments made on the key parameters of the power sector cooperation by the two governments. A PPA was signed in 2012 for the first 250 in 2012 after which disbursements were permitted. Bidding process for another 250 MW will be completed shortly.	Low
Limited HVDC technology and implementation capacity	Low	PGCIL owns and operates all six HVDC projects set up in the last 10 years in South Asia. It is supporting PGCB in reviewing project design and implementation.	Low
Increase in prices of raw material and currency fluctuations	Low	Given the advanced stage of the Project, the risk is low. Contingencies are provided.	Low
Government of Bangladesh and BPDB have limited capacity in negotiating cross-border power trading contracts	Medium	ADB recruited consultants under the small scale capacity development TA to support the government and BPDB to negotiate contracts. The short term contract has been bid out and the longer term contract bid process will be completed in Q4 of 2013.	Low
Cost of Indian power not competitive when compared with domestic power tariff	Medium	Retail tariffs were increased in 2011 and 2012 to recover the high cost of power in Bangladesh. Most new power plants installed in Bangladesh are based on dual fuel configuration and imported fuel that would be comparatively more expensive than power from the Indian market. A PPA was signed for 250 MW of supply from NTPC stations in 2012 and the bid process in final stages for another 250 MW power supply from the Indian market.	Low
Inadequate power available in the eastern region of India	Medium	The eastern region of India is expected to add significant generation capacity over the next 5 years to meet the growth in demand. It is expected that up to 500 MW will be available for supply to Bangladesh. A PPA for 250 MW of power has been signed for supply of power in 2012 from NTPC stations. Bids have been	Low

		received from power traders for supply of another 250 MW of power.	
Delayed notification of tariff regulations for PGCB	Medium	PGCB's current financial position in terms of standard ratios is acceptable in 2012 (operating ratio, debt service coverage ratio, accounts receivable are within norms). Implementation of BERC's transmission tariff regulations based on a regulated rate of return would further improve PGCB's financial position. Notification of tariff regulations is expected by June 2014.	Low
Auditor observations on entity fixed asset register and physical verification of assets.	Medium	PGCB auditors have issued a qualified audit opinion on the verification of fixed assets and inventories. PGCB is undertaking required studies in 2013 to address these deficiencies.	Low
Delays in procurement of equipment, materials and civil works	Low	Contracts for both the transmission line and the HVDC sub-station have been already awarded in 2010 and 2011 after review by ADB.	Low
Overall	Medium		Low

ADB = Asian Development Bank, BERC = Bangladesh Energy Regulatory Commission, BPDB = Bangladesh Power Development Board, NTPC = National Thermal Power Corporation, HVDC = high-voltage direct current, MW = megawatt, PGCB = Power Grid Company of Bangladesh, PGCIL = Power Grid Corporation of India Limited, PPA = power purchase agreement.