

## SUMMARY OF PROJECT PERFORMANCE

### A. Background

1. The SASEC Bangladesh - India Electrical Grid Interconnection Project (the current project) will develop a 400/230 kV high voltage direct current sub-station in Bangladesh, 27 km. of 400 kV transmission lines and 4 km. of 230 kV transmission lines to facilitate power interconnection with India. The estimated project cost was \$158.6 million, which is financed by a loan of \$100.0 million equivalent, from ADB's Special Funds resources (Loan 2661-BAN) for equipment, civil works, freight and insurance. The government would finance civil works, environment and social mitigation, land acquisition, project management services, taxes and duties of \$58.6 million equivalent. The loan was approved by ADB on 31 August 2010, became effective in March 2011 and will close on 31 December 2013.

2. In support of the country and regional strategy, the project impact was enhanced regional cooperation in the power sector contributing to economic development in Bangladesh. The project's immediate outcome will be the successful development and operation of a power transmission link between Bangladesh and India from 2013. The project outputs are (i) the creation of the Bahrapur – Bheramara transmission link of about 27 km. of 400 kV transmission lines from the Indian border to the sub-station at Bheramara and about 4 km. of 230 kV transmission lines and switching station at Bheramara, (ii) conclusion of transmission interconnection agreements between the two countries and (iii) capacity building and information sharing related to planning, development, operation and maintenance of the interconnection.

3. The executing agency (EA) is the Power Grid Company of Bangladesh (PGCB), the transmission licensee operating in the country. PGCB is also the implementing agency.

### B. Performance of the Project

4. The project is assessed as follows.

- a. **Delivery of expected outputs.** The transmission link is to be commissioned by Q3 2013. There were initial delays in project mobilization along with delays in signing of the power purchase agreement (PPA) for 250 MW between agencies in India and Bangladesh. Disbursements commenced in 2012. Further, there were delays in transportation of equipment within Bangladesh in early 2013 due to strikes but milestones for physical progress are being achieved. The project has been performing well since October 2012 and is at an advanced stage of implementation. Power flows are expected to start from September 2013.
- b. On the non-physical aspects - an agreement for interconnection facilities constructed on the Indian side was signed in 2010, a power purchase agreement for 250 MW was signed between the buyer Bangladesh Power Development Board (BPDB) and the seller NTPC Vidyut Vyapar Nigam (the trading arm of National Thermal Power Corporation – the largest generation utility in India with over 40,000 MW of capacity) based on a regulated tariff and regulated trading margin. Bidding is presently ongoing for a three year contract with delivery in Q4 2013 and will be followed by a longer term contract commencing 2016. A training workshop was held in 2012 for power sector stakeholders on the Indian electricity market, nature of contracts and structuring of power purchase agreements.

- c. **Satisfactory implementation progress** – The progress has been satisfactory. Contracts for the transmission line was awarded in 2010 and the substation in 2011. Physical progress is advanced and the physical interconnection has been established from the substation in Bangladesh to India in May 2013. Disbursements reached 80% in July 2013 and are on track.
- d. **Satisfactory compliance with safeguard policy requirements** - The components for the project were prepared and implemented based on agreed environmental and social safeguards. Payments to the affected persons on the substation site were made by cheque in the presence of district officials while payments to affected persons on the transmission right of way was made at periodic intervals linked to construction milestones and recorded in the presence of witnesses. A list of payments made is available at the project office. A Grievance Redress Committee was established in 2010 to receive grievances for environmental and social issues. For environment safeguards, the required examination of air, water and soil samples and dredging was carried out and environmental clearances have been renewed for 2013. Periodic monitoring is being carried out by external reviewers. The EA on the Indian side of the Interconnection has shared the safeguard reporting as requested by ADB.
- e. **Successful management of risks** - Risks identified at due diligence were, for the most part, addressed appropriately. While the loan disbursement condition of entering into a power purchase agreement (PPA) did create initial delays in disbursements, it supported the conclusion of a power purchase agreement for 250 MW between the two countries in March 2012 between NVVN and BPDB to reduce one of the key risk identified during loan processing of the non-utilization of the interconnection. A two-stage bidding process was followed for the HVDC substation- the first such procurement for Bangladesh with technical support from PGCIL. Approval for advance procurement facilitated the two stage procurement process and engagement of potential contractors. An additional power purchase agreement for 250 MW would be in place in 2013 based on competitive procurement.
- f. **On track rating.** The project has been rated on track in the project performance rating from October 2012 – a period of over 10 months.

## C. Conclusion

5. The project is performing well based on the criteria of (i) delivery of expected outputs, (ii) satisfactory implementation progress, (iii) satisfactory compliance with safeguard policy requirements, (iv) successful management of risks. On the criteria of on-track rating it has been completed 10 months and is rated not performing well.

6. Cost escalation is primarily attributed to the inclusion of spare transformers during the two stage bid process, currency variations and tax increases that have resulted in a funding gap. The Government has requested about \$ 12 million of additional financing from ADB to cover the foreign cost part of the cost over-run of about \$ 40.4 million. The additional financing meets the eligibility criteria in ADB's additional financing policy with the overall project expected to remain technically, economically and financially viable despite the cost overruns. Additional financing is assessed as a better option compared to restructuring, scaling down or cancellation of the Project. It would support timely completion of the Project and contribute to the outcome of cross-border power flows by up to 500 MW in 2013.