

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Limited HVDC procurement and implementation capacity	Medium	<p>The executing agency has retained PGCIL to assist in project management for the second interconnection. PGCIL has experience from installing six HVDC projects in the region and supported PGCB for the first interconnection.</p> <p>Requirements for additional support at the national load center and other locations have been identified and supported.</p> <p>The first interconnection is operational with PGCB's employees operating and maintaining the station since 2013.</p>
Limited capacity to negotiate cross-border electricity trading contracts	Low	<p>Two cross border commercial PPAs have been signed (in 2012 and 2013). Support is being provided to the government agencies for tendering the new PPA for 500 MW. Bangladesh is also procuring an additional 150 MW from India.</p>
Non-cost reflective tariff impacts financial sustainability	High	<p>Gazette of BERC's transmission tariff regulations and announcement of revised transmission tariffs in 2015 will reduce regulatory uncertainty and enable improvement of PGCB's financial position.</p> <p>To improve PGCB's debt servicing capacity, the government has agreed to a timely restructuring plan for PGCB to improve its financial ratios.</p>
Delay to enter into binding power purchase agreements	Low	<p>The power secretaries of the two countries have agreed in the Joint Steering Committee that a power purchase of 500 MW from India can take place.</p> <p>Preparatory work to tender 500 MW has been started by the Bangladesh Power Development Board, with assistance from ADB.</p> <p>BPDB is a participant in the power market and could prefer to retain flexibility regarding contracts with suppliers. It could decide on the preferred duration of power contracts after observing the results of the long-term and short-term bidding for 500 MW.</p>
Inadequate capacity to transfer power to Bangladesh	Low	<p>The 400 kV double circuit transmission line from Baharampur to Bheramara has the capacity to carry 1000 MW from India to Bangladesh. PGCIL will undertake investments upstream of Baharampur that will also benefit eastern region states in India, and complete the investments by June 2017. Necessary clearances were received from the eastern region in May 2015.</p>

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Cost of Indian power not competitive compared to cost of power in Bangladesh	Low	Based on an assessment of power generation capacity-addition plans in Bangladesh, and long-term and short-term power purchase costs in the power market in India, power from India is expected to be competitively priced vis-à-vis imported coal, imported gas and other sources (including rental power) available to BPDB, the bulk purchaser in Bangladesh. This has been demonstrated in the commercial PPA entered into in 2013.
Inadequate capacity support at the regulator for oversight and pricing	Medium	Capacity support to the BERC to develop tariff regulations was provided under bilateral support in 2008. Additional support is needed to implement the tariff regulations for regulated utilities, review the capital investment plans and improve the efficiency of utilities.
Governance, anti-corruption and financial management	Medium	<p>ADB is supporting the government in implementing governance reforms, including support for the Anticorruption Commission, separating the judiciary from the executive branch of the state, improving grievance redress mechanisms in the line ministries, enacting laws on money laundering and the right to information, and ratifying the United Nations convention against corruption. ADB is also working with the government to strengthen support for public financial management and to develop capacity for planning, policy making, and procurement.</p> <p>Support is to be provided to PGCB under the loan to build capacity to meet reporting requirements to the regulator, including on fixed assets.</p> <p>The project manager at PGCB will be responsible for addressing audit issues in a timely manner.</p>
Inadequate power available in India	Low	The eastern region of India is expected to add significant generation capacity. Based on interest received from potential bidders in July 2015, up to 500 MW is expected to be available for supply to Bangladesh. The advertisement for power procurement will be available on the BPDB website.
<b>Overall</b>	<b>Low-Medium</b>	

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