

March 25, 2014

**Comments from the United Kingdom—Approval by mail: Renewable Energy Mini-Grids and Distributed Power Generation Program (India, Indonesia, Philippines)
ADB - CTF -Dedicated Private Sector Programs**

Dear Patricia,

The UK would like to thank the ADB for this proposal under the DPSP. Apologies that our comments are arriving a day late. We would appreciate clarification on the following set of questions:

- 1) How is the DPSP supporting additional activity that the ADB would be unable to support alone?
- 2) What is the track record for the ADB doing similar mini-grid investments either with the public sector or the private sector?
- 3) In the Table on Program Performance Indicators Table on pg.16 could ADB revise the expected mobilised private and public finance figures to be congruent with their expected leverage of 1:3 (or 1:2)?
- 4) Citing from pg. 28 “For the Program, the average cost per MW of mini-grid capacity installed was assumed to be \$3 million per MW.” It is unclear why then with 1:2 or 1:3 leverage ratio (to be clarified), ADB only expects up to 10MW of new generation capacity. Could ADB include any additional generation capacity through the leveraged finance in the results framework?
- 5) At the Oct 8, 2013 TFC meeting there was a decision that each proposal needs to report on the cost-effectiveness of projects in the following way: “In addition to CTF investment per ton of CO₂-equivalent reduced, an estimate of total project costs (CTF investment plus co-financing) per ton of CO₂-equivalent reduced should also be provided.” In our understanding this was required in order to provide a close proximate to the marginal abatement cost of the project. Based on only the 10 MW installed capacity the total investment cost per tonne of this RE MG and DPG projects is quite high at (\$90M/630 973 t of CO₂ =) \$142.6 per tonne compared to the average of the current CTF portfolio of 30\$ per tonne. Could ADB provide a total investment cost per tonne based on their realistic expectation of leveraged finance and installed capacity?
- 6) Is it possible to provide any evidence of the marginal abatement cost of hybrid mini-grid?
- 7) On the emission factors: Instead of referring to a UK specific DECC/Defra document for the emission factor, it would be better if ADB detailed the counterfactual used to derive the 1.08 tCO₂/MWh emission factor.(e.g. assumption on direct CO₂ factor from diesel combustion, grid size, local generator efficiency).
- 8) Could you provide a clear explanation of how the project will realise its 600MW replication potential with the resources currently allocated? What is the Theory of Change? What role will the technical assistance component play and how will it support knowledge sharing and lesson learning to help realise this

goal? This should include taking into account lessons that are being learned from mini-grid programmes that are being implemented in each region.

9) Please can you clarify how the gender elements of the project will be monitored?

Kind Regards,

Kate

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