

**Renewable Energy for Rural Economic Development Project**

**MINUTES OF THE QUARTERLY STAKEHOLDERS MEETING  
HELD ON 11 JANUARY 2010 AT HOTEL TAJ SAMUDRA, COLOMBO**

**Present:**

Participating Credit Institutions (PCIs)

|                                |                                       |
|--------------------------------|---------------------------------------|
| Commercial Bank of Ceylon Plc  | Sarani Bandara                        |
| DFCC Bank                      | Nilanthi Atapattu                     |
| Hatton National Bank Plc       | Rohan Ediriweera, Harsha Abeyratne    |
| Lanka Orix Leasing Company Plc | Amith Waduge, Maheshika Bandara       |
| NDB Bank Plc                   | Ishani Palliyaguru, Shehara Fernando  |
| Sampath Bank Plc               | Indika Usgodaarachchi, Lakshan Perera |
| SEEDS (Gte) Limited            | Alex Jayawardena                      |

Other Credit Institutions

|                               |                |
|-------------------------------|----------------|
| Alliance Finance Company Plc  |                |
| Kandurata Development Bank    | <i>Excused</i> |
| Sabaragamuwa Development Bank | <i>Excused</i> |
| Uva Development Bank          |                |

Solar Companies

|                              |                                       |
|------------------------------|---------------------------------------|
| Access Solar (Pvt) Ltd       | <i>Absent</i>                         |
| Alpha Solar Energy (Pvt) Ltd | <i>Absent</i>                         |
| E B Creasy & Co Ltd          |                                       |
| Environ Energy (Pvt) Ltd     | Arun Gamalatge                        |
| HPI Solar (Pvt) Ltd          | <i>Absent</i>                         |
| Softlogic Solar (Pvt) Ltd    | Thushara Thalagala, Upul Chandraratne |
| Suryavahini (Pvt) Ltd        |                                       |
| Vidula Energy (Pvt) Ltd      | Herath Dissanayake                    |
| Wisdom Solar (Pvt) Ltd       | Herath Dissanayake                    |

Village Hydro Developers and Suppliers

|                               |                       |
|-------------------------------|-----------------------|
| CAPS Ltd                      | S M G Samarakoon      |
| EDEN                          | Nihal Wimalaratne     |
| ENCO (Pvt) Ltd                |                       |
| Hettigoda Energy Technologies |                       |
| Katulanda Brothers            |                       |
| Lionel Hydro Power Industries | U G Lionel            |
| Manatunga Hydro               | Manatunga Seneviratne |

Village Hydro Developers and Suppliers (cont'd)

REDCO (Pvt) Ltd

REECS

Samanala Agencies

Shirley Tech

Srimali Motors & Engineers

System Engineers

VH Developer

VH Developer

VH Developer

VH Developer

Saman Aruna Shantha

S M S G Samaraweera

S S Ranasinghe

M Navaratne

K H L C K Kariyawasam

K A N Kodituwakku

Pulasthi Ekanayake

Consultants, NGOs and other Suppliers

Consultant

Energy Forum

Dr Priyantha Wijesooriya

Bandula Chandrasekara

Industry Associations

BEASL

FECS

SHPDA

SIA

P H Nimal Dharmasiri, Y P Dasanayake

Rekha Karunaratne

Government Organisations

Ceylon Electricity Board

Department of External Resources

Department of Treasury Operations

Eastern Provincial Council

Ministry of Power & Energy

National Council for Economic Development

NERD Centre

Northern Provincial Council

Sabaragamuwa Provincial Council

Southern Provincial Council

Sustainable Energy Authority

Uva Provincial Council

Sampath Fonseka

Dhammika Gunawardena

Bimalka Perera, Harinath Mahathanthrige

G B Wimalaratne

Administrative Unit (AU)

Kapila Subasinghe, Lalanika Herath,

Punitha Dahanayake, Chinthika Pathiraja,

Vidarsha Dharmasena

1. On behalf of the Administrative Unit (AU), RERED Project Mr Kapila Subasinghe, Vice President (Project Management), DFCC Bank / Project Director, RERED welcomed the stakeholders and thanked them for their participation. Those present then briefly introduced themselves.
2. There were no matters arising from the minutes of the last Quarterly Stakeholders Meeting held on 08 October 2009.
3. There were no matters arising from the Financial Monitoring Report (FMR) for the quarter ended 30 September 2009 that had been sent to selected stakeholders including the World Bank, Government and participating credit institutions (PCIs).
4. Solar PV
  - (a) SHS sales:

A total of 718 solar home systems (SHS) were processed for subsidy payments during the quarter, bringing the cumulative number of installations under RERED to 106,116 by 30 September 2009.
  - (b) A consultant was engaged to intervene independently in Resolving Issues Faced by Solar Home System Vendors and Participating Credit Institutions Financing Solar Home Systems

The AU summarised the key points of the Consultant's report:

- Reasons for low volume of sales
  1. Lack of Credit
  2. High Cost
  3. Grid Electricity (expansion of the national grid)
  4. Outdated Business Model
  5. Limited Off-grid Market
  6. Limitations of RERED SHS Specification
- Issues affecting sustainability
  1. Irregular ad/hoc Credit Collection (leading to system being repossessed)
  2. Lack of After Sales Services (leading to system not getting repaired)
    - Customers Expects Vendor to Replace Battery Even After Warranty
    - No Repair in Warrantee Period
  3. PV Company Out of Business (leading to system not getting repaired)
  4. Expansion of national grid

- Proposed Action
  1. Revise RERED SHS Specification to include Plug & Play systems and LED lights
  2. A study to recommend alternative collection mechanisms
  3. A study to identify the validity of the warranty issued by solar vendors
  4. To implement a common after-sales programme based on study 3 above
  5. Diversification of activity by solar vendors – RERED assistance for pilot projects / net metering
  
- (c) Solar lanterns:  
The AU noted that no solar lanterns had been marketed under the RERED Project so far. The applicable standard is PVRS 11A.
  
- (d) Government solar subsidy scheme:  
There were no backlog of Government solar subsidy payments by end of 2009
  
- (e) RERED SHS Specification:  
The AU informed stakeholders that RERED SHS Specification is now revised and includes Plug & Play systems and LED lights
  
- (f) Conference & Exhibition on Net Metering and Grid Tied PV  
The conference and exhibition was held to create awareness among local equipment suppliers, introduce them to international suppliers and to learn from global experience. The AU summarised the proceedings of the conference/exhibition.
  
- (g) Training for solar companies and PCIs available at request

## 5. Community Based Electrification

### 5.1 Hydro

- (a) Approvals:  
The AU has approved 161 VH projects by 30 September 2009. 46% of these projects are approved by Non-PCIs.
  
- (b) Installations:  
By 30 September 2009, 134 nos. off-grid village hydro schemes with a total capacity of 1,340 kW, had been completed under RERED providing electricity to 4,968 households.
  
- (c) Registration:  
It was noted that the number of AU-registered village hydro developers (project preparation consultants) and equipment suppliers now stand at 9 and 10 respectively.

- (d) Performance of equipment:  
The NERD Centre is in a position to test and certify micro hydro turbines and induction generator controllers (IGCs). The village hydro developers are to ensure that suppliers of turbines and IGCs had their equipment tested prior to installation. The RERED Project will, until further notice, meet the cost of testing at the NERD Centre.
- (e) The VH developers were requested to make use of VH technicians trained under the Project during project implementation so that they can attend to any repairs subsequently if necessary.

## 5.2 Biomass

- (a) Installations:  
By 30 September 2009, one off-grid biomass schemes with a capacity of 12 kW, had been completed under RERED providing electricity to 25 households.
- (b) Stakeholders were reminded that all biomass projects are subject to environmental prior review of the World Bank. CEA approval and preferably, the report of the RERED environmental consultant should be obtained prior to commencement of work at site, as a negative report could make remedial measures difficult or meaningless. PCIs may engage consultants for environmental assessment even before loan negotiations. The consultant's fee shall be borne by the RERED project

## 6. Cross-sectoral Energy Applications and Rural Development

- (a) Cross-sectoral energy applications:  
Energy Forum in consultation with the Eastern Provincial Council selected a health centre and school to develop pilot energy packages. This assignment will not proceed due to the proposed grid electricity expansion programme in the Eastern Province.
- (b) Rural Development  
All innovation solicitation Contracts under Rounds #1 and #2 are complete.

## 7. Grid-connected Projects

- (a) Mini hydropower:  
By 30 September 2009 an aggregate 119.7 MW of capacity had been added through 49 grid-connected mini hydro projects, with another 19.5 MW under construction through 8 projects.

Developers have now started developing low-head hydro projects. A 3-day workshop will be held from 18-20 February 2010 to build capacity of developers on low head technology.

- (b) Wind power:  
PCIs have evaluated one wind project. The Project assisted the PCIs by engaging a consultant for an independent due diligence study on a cost-shared basis. Technical assistance to appraise other projects can be made available to the PCIs if necessary.
- (c) Biomass:  
Technical assistance is available on a cost-shared basis for any due diligence study if requested by PCIs. A consultant was engaged for an independent technical assessment of a project evaluated by a PCI. Other PCIs may request for assistance if necessary.
- (d) PCI pipeline of grid-connected projects (as per inquiries received at PCIs)  
41 small hydro projects with an aggregate capacity of 76.2 MW,  
3 wind power projects with an aggregate capacity of 30 MW  
2 biomass power projects with an aggregate capacity of 21.6 MW.

8. Energy Efficiency  
The AU reiterated energy efficiency subprojects are eligible for refinancing under the RERED Project. PCIs were requested to inform their clients of this facility.

9. Training and Capacity Building

The AU reiterated that technical assistance for training and capacity building is available to all stakeholders, typically cost-shared, based on their needs. Stakeholders are encouraged to identify their needs and contact the AU with draft proposals.

10. Project Performance as at 30 September 2009

The AU presented statistics, charts and graphs on the current position of the RERED Project. Key statistics are summarised below. Stakeholders were invited to visit the project website [www.energyservices.lk](http://www.energyservices.lk) for more details.

Physical progress (cumulative):

|                |  |
|----------------|--|
| Grid-connected | Target: 135 MW (by 30 September 2011)<br>Accomplishment: 119.7 MW; 88% (30 September 2009) |
|----------------|--|

|          |  |
|----------|--|
| Off-grid | Target: 160,000 households (by 30 September 2011)<br>Accomplishment: 111,084 households; 69% (30 September 2009) |
|----------|--|

11. Participating Credit Institutions

Additional financing:

Seven PCIs, namely, Alliance Finance Company PLC, Commercial Bank of Ceylon PLC, DFCC Bank, Hatton National Bank PLC, Lanka Orix Leasing Company PLC, National

Development Bank PLC and Sampath Bank PLC, have fulfilled RERED eligibility criteria and have signed the Participation Agreement with the Government of Sri Lanka. The AU also held discussions with four other prospective PCIs.

*Kapila Subasinghe*  
*AU – RERED Project*  
*28 January 2010*