

Renewable Energy for Rural Economic Development Project

**MINUTES OF THE QUARTERLY STAKEHOLDERS MEETING
HELD ON 24 JUNE 2011 AT HOTEL TAJ SAMUDRA, COLOMBO**

Present:

Participating Credit Institutions (PCIs)

Alliance Finance Company PLC	Excused
Bank of Ceylon	Excused
Commercial Bank of Ceylon PLC	Sarani Bandara
DFCC Bank	Senaka Jayasinghe
	Mahesh Widanage
Hatton National Bank PLC	Rohan Ediriweera
Lanka Orix Leasing Company PLC	Gayani de Silva
	Nishani Uduwage
National Development Bank PLC	Deveshta Ratnanayagam
Peoples' Bank	K P S Weerasinghe, M T N Shiwanthi
Sampath Bank PLC	Thusitha Nakandala

Other Credit Institutions

SEEDS (Gte) Limited	Thusitha Weerawardena
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Solar Companies

Environ Energy (Pvt) Ltd	Arun Gamalatge, Varuni Perera
E B Creasy & Co Ltd	Mohan Seneviratne
HPI Solar (Pvt) Ltd	Manjula Wickrematilleke
Suryavahini (Pvt) Ltd	Sudesh Fonseka
Wisdom Solar (Pvt) Ltd	Herath Dissanayake

Village Hydro Developers and Suppliers

CAPS	S M G Samarakoon
EDEN	Nihal Wimalaratne
ENCO (Pvt) Ltd	Kasun Perera, Manjula Wickremathilaka
Hettigoda Energy Technologies	Udaya Hettigoda
Lionel Hydro Power Industries	U G Lionel
Manatunga Hydro	Manatunga Seneviratne
Ranasinghe Electronics	Excused
REDCO (Pvt) Ltd	Excused
Samanala Agencies	Sarath Samaraweera
Shirley Tech	Excused
Srimali Motors & Engineers	S S Ranasinghe
System Engineers	Excused
VH Developer	K H L C K Kariyawasam
VH Developer	K A N Kodituwakku
VH Developer	Pulasthi Ekanayake

Consultants, NGOs and other Suppliers

Consultants	M W Leelaratne
	G B Wimalaratne
	T A Wickramasinghe
Energy Forum	Bandula Chandrasekera, Wathsala Herath

The Nielsen Company	Jinendra Kotalawela, Upul Silva, Gamini Karunanayake, Melina Jaiman
<u>Industry Associations</u>	
BEASL	Excused
FECS	Y P Dassanayake, Vijitha Kumarasiri
SHPDA	Excused
SIA	Arun Gamalatge
Senok Wind Power (Pvt) Ltd	Preveena Sivamohan, Rozanne Moraes
<u>Auditors</u> (Ernst & Young)	Nalaka Chandrasiri, Suneth Sunera, Julian Emmanuel
<u>Government Organisations</u>	
Ceylon Electricity Board	Noel Priyantha, Sampath Fonseka
Department of External Resources	Excused
Department of Treasury Operations	Excused
Sustainable Energy Authority	Excused
National Council for Economic Development	Excused
NERD Centre	Excused
World Bank	Abdulaziz Faghi, Anil Cabraal
Administrative Unit (AU)	Nalin Karunatileka, Lalanika Herath, Chinthika Pathiraja, Vidarsha Dharmasena Asanka Rathnayake, Achala Bandara

1. On behalf of the Administrative Unit (AU) - RERED Project, Nalin Karunatileka, Assistant Vice President (Project Management), DFCC Bank / Project Director, RERED Project, welcomed stakeholders and thanked them for their participation. The AU also welcomed the presence of Mr Abdulaziz Faghi, Task Team Leader – RERED Project, The World Bank and Dr Anil Cabraal, Consultant, The World Bank.
2. There were no matters arising from the minutes of the previous Quarterly Stakeholders Meeting held on 21 March 2011.
3. There were no matters arising from the Financial Monitoring Report (FMR) for the quarter ended 31 March 2011 that had been sent to selected stakeholders including the World Bank, Government and participating credit institutions (PCIs).
4. The AU was pleased to announce that the Government of Sri Lanka and the World Bank had agreed to extend the closing date of the RERED Project for 6 months until 31 December 2011. The extension was granted to make possible the full disbursement of funds.
5. It was also announced that with effect from 1 August 2011, refinance under the RERED Project (Additional Financing) will be available on a 'first-come-first-served' basis. i.e. there will be no distinction between committed and waitlisted sub-projects and refinance will be disbursed in the order of receipt of duly completed Loan Disbursement Requests (LDRs) with adequate supporting documentation.

The AU explained that the decision to open the credit line was taken to expedite disbursements in order to achieve the objective of achieving full disbursement of funds at the close of the Project. It was observed that some committed sub-projects were slow moving or yet to disburse, while other sub-projects were on the wait-list. The decision was discussed at the meeting with PCIs, the Small Hydro Developers Association, Wind Power developers and the World Bank team the previous day (23rd June 2011). The AU's intention to open the credit line in future was also announced at the previous stakeholders meeting held on 21 March 2011.

6. Ms Lalanika Herath presented statistics related to the project as at 31 March 2011 summarised as follows:

Cumulative Approval and disbursements (Rs. Mn)

	<u>RERED</u>	<u>RERED (AF)</u>
Approvals	8,231.8	4,570.2
Disbursements	7,799.7	2,470.8

Grid connected projects

	Approved		Commissioned	
	Projects (#)	Capacity (MW)	Projects (#)	Capacity (MW)
Hydro	67	165.7	53	125.9
Wind	1	10.0	1	10.0
Bio-Mass	1	1.0	1	1.0
Total	70	176.7	55	136.9

Off-Grid Community Based Projects

	Approved			Commissioned		
	Projects (#)	Capacity (kW)	Households	Projects (#)	Capacity (kW)	Households
Hydro	183	1810.8	7292	159	1591.9	5733
Wind	-	-	-	-	-	-
Bio-Mass	2	22.0	39	2	22	39
Total	185	1832.8	7331	162	1613.9	5772

Solar Home Systems:

Total number of systems installed under RERED as at 31 March 2011 was 109,768.

7. Solar PV
- (a) The AU announced that it had ceased processing Solar Home System (SHS) grant and subsidy payments from 13 May 2011.

It had been previously announced that as the RERED Project was scheduled to close on 30 June 2011, the AU would accept the processing of SHS grants and subsidy applications only for systems installed up to 31 March 2011. Grant/subsidy applications for such systems would be accepted only up to 29 April 2011. This deadline was extended at the request of the SIA.

It is envisaged that in future, the SHS subsidy scheme would be part of the Governments' 'Gramashakthi' off-grid electricity programme to be administered by the Sri Lanka Sustainable Energy Authority (SLSEA).

- (b) SHS sales:
110,575 SHS have been installed under RERED as at 13 May 2011. The AU had received applications in respect of 1,922 SHS during 2011 (up to 13 May). 1,115 SHS were installed during the first quarter and 807 SHS were installed during the period from 1 April to 13 May 2011.

8. Community Based Electrification

8.1 Hydro

- (a) Installations:
By 31 March 2011, 159 off-grid village hydro schemes with a total capacity of 1,591.9 kW to serve 5,733 households had been completed under RERED.

The AU observed that there were 24 village hydro projects approved but still to be completed. Project developers were urged to complete work by the 31 December deadline.

- (b) Registration:
It was noted that the number of AU-registered village hydro developers (project preparation consultants) and equipment suppliers stood at 10 and 11 respectively.
- (c) 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.
- (d) 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.
- (e) Non-PCIs registered as Licensed Commercial Banks and Licensed Specialised Banks are also eligible to off-grid project supervision fee. **PCIs were reminded to submit applications for outstanding supervisions grants.**
- (f) The AU has engaged Energy Forum to conduct a study to develop a mechanism to connect off-grid community based systems for the national grid. The expected outputs are:
- i. Database of off-grid schemes having access to the national grid
 - ii. Current technical status of such projects and consumer acceptance
 - iii. Technological design for grid connection and suggested interconnection standards, specification and guidelines for consumer societies
 - iv. Identification of policy and other related barriers for grid connection of community based systems
 - v. Establishment of two pilot grid connected micro-hydro projects

Mr Bandula Chandrasekera of Energy Forum briefly described the work carried out so far. A technical proposal had been submitted to the Ceylon Electricity Board and a formal response from CEB was awaited. The village electricity consumer society would convert itself into a company (i.e. a legal entity), obtain an energy permit from the SEA and enter into an

agreement with the CEB. The CEB was also considering the cost of implementing such a scheme.

The USAID SARI Energy Project would be funding the capital expenditure related to the two pilot projects.

8.2 Biomass

By 31 March 2011, two off-grid biomass schemes with a capacity of 22 kW had been completed under RERED providing electricity to 39 households.

9. Cross-sectoral Energy Applications and Rural Development

(a) Cross-sectoral energy applications:

The assignment to provide electricity to a hospital and a school located in an off-grid area in the Eastern Province will not proceed due to the proposed grid electricity expansion programme in the Province.

(b) Rural Development

All innovation solicitation contracts under Rounds #1 and #2 are complete.

10. Grid-connected Projects

Mr Vidarsha Dharmasena of the AU briefly outlined the developments during quarter.

10.1 Hydro power:

(a) By 31 March 2011 an aggregate 125.9 MW of capacity had been added under RERED and RERED-AF Projects through 53 grid-connected mini hydro sub-projects 14 projects were under construction which would add 40.2 MW of capacity. Considering the closing date of the credit line, PCIs and developers were urged to expedite disbursements.

(b) A circular on worker safety at project sites was issued in October 2010. Developers and PCIs are were reminded that in addition to reducing the risk of fatalities/serious injury, adherence to proper safety measures would also reduce the risk of adverse reputational impact on the sub-project. Developers and PCIs were requested to ensure that worker safety measures are practiced at subproject sites in line with national occupational health and safety requirements and construction industry best practices.

10.2 Wind power:

(a) The first wind project of 10 MW with RERED assistance is now commissioned.

(b) The AU has engaged a Danish consulting firm M/s Grontmij Carl Bro A/s - through an international competitive bidding process to conduct a study on the integration of wind power systems with the national grid. The objective is to study the operational implications, solutions and costs associated with integrating both the current wind power project pipeline and the maximum prudent level of wind power penetration that the Sri Lanka electricity system can absorb up to the year 2020, consistent with safe and reliable operation of the power system, considering economic cost-effectiveness. The analysis will take into

consideration experiences from similar island power systems and cost effective engineering and system operations solutions.

The Consultant has delivered the final draft report. A sturdy tour to Denmark for four CEB engineers and one official from the Ministry of Power and Energy was concluded during the quarter end 31 March.

A workshop will be held to disseminate the contents of the final report to stakeholders.

- (c) In January 2011, the AU, in association with the SARI Energy Project of USAID, organised a working meeting on 'Advancing Lender Understanding of Wind Power Project Appraisal' for credit officers of participating credit institutions. The programme, conducted by Dr Pramod Jain - a wind energy expert from USA, was well received.

10.3 Biomass:

Since the 1MW bio-mass sub-project refinanced in 2005, the AU has not received any new applications.

11. Energy Efficiency

Ms Chinthika Pathiraja of the AU briefed the audience on the progress of the Energy Efficiency initiatives.

- (a) As at 31 March 2011, refinance had been approved for 6 energy efficiency projects while 5 projects have been completed. Disbursements were made in respect of two projects related to installing LED based lighting systems in garment factories during the quarter. A project related to installing more efficient machinery in a factory was under implementation.
- (b) As refinance was to be made available on a 'first come first served' basis from 1 August 2011, new energy efficiency initiatives could be entertained as the lead times are relative short.
- (c) The RERED website includes a list of Energy Service Companies (ESCOs) registered under the SEA for prospective customers to contact in order to have an energy audit carried out and/or implement an energy efficiency project.

(d) Net Metering

Although, there are a few net-metering projects implemented, no projects have been funded under RERED. The SIA pointed out some inconsistencies in the procedures adopted by the CEB and LECO regarding the IEEE standards for interconnection of systems.

12. Training and Capacity Building

- a) AU also announced that funds available for Technical Assistance under the GEF grant scheme are fully committed. As such, funds available under the IDA credit line would have to be accessed.

- b) All technical assistance initiatives would have to be completed by 30 December 2011. All consultants were advised to note that the AU would not be in a position to make payments for any work done after 30 December 2011.

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

13. Physical Verification of Assets

- (a) Energy Forum completed its assignment to carry out physical verification of assets for years 2007 and 2008.
- (b) Mr Jinendra Kotalawela of The Nielsen Company Lanka, the consultant engaged to conduct the physical verification of assets in respect 2009, made a presentation to the stakeholders of their findings of their survey. The new initiative to photograph and GIS map the assets was also demonstrated.

A summary of the two verification exercises are as follows:

Asset Type	Year of Verification	Attempted Verifications	Assets successfully located and verified	Assets could not be located/could not be verified**
SHS*	2007	840	675	165
	2008	938	780	158
	2009	591	550	41
VHP	2007	10	10	Nil
	2008	9	9	Nil
	2009	6	6	Nil
MHP	2007	7	7	Nil
	2008	Nil	Nil	Nil
	2009	15	15	Nil

* Due to security concerns, verifications were not attempted in certain areas in the Northern and Eastern Provinces

** Reasons for inability to locate and verify assets include, inability to locate the household, repossession of the SHS by financial institution, householders not being present at the time of visit and SHS being installed at a location different from the invoiced address.

14. Project Performance

Physical progress (cumulative) as at 20 June 2011:

Grid-connected Target : 135 MW
 Accomplishment : 140.6 MW;
 Work in Progress : 40.4 MW

Off-grid Target : 113,500 Households (reduced from 160,000)
 Accomplishment : 116,412 households; i.e. 110,575 SHS and 5,837 Households through 163 community based projects.

Stakeholders were encouraged to access the project website www.energyservices.lk for further information.

15. Participating Credit Institutions (PCIs)

Nine PCIs, namely, Alliance Finance Company PLC, Bank of Ceylon, Commercial Bank of Ceylon PLC, DFCC Bank, Hatton National Bank PLC, Lanka Orix Leasing Company PLC, National Development Bank PLC, Peoples' Bank and Sampath Bank PLC, are participating in RERED Project (Additional Financing).

The Peoples Bank became a PCI on 31 May 2011

16. Any Other Matters

Mr Abdulaziz Faghi stressed the need to fully disburse the remaining funds in order to successfully close the Project by the deadline.

Nalin Karunatileka
AU – RERED Project
15 September 11