

MINISTRY OF POWER & RENEWABLE ENERGY

CABINET MEMORANDUM

Cabinet Memo No. 7/150/2/10/1

Ministry Ref. No. 2/10/2/155/2011/10

Clean Energy & Network Efficiency Improvement Project- Loan no 2892/2893(SF)-SRI. Request for Extension of Loans 2892/2893 (SF)- SRI

1.0 Background:

Clean Energy & Network Efficiency Improvement Project was approved for ADB financing on 18/09/2012 under the following loans, which were declared effective on 30/09/2013:

- i. Loan 2892- SRI for US\$ 100,000,000 from ADB's Ordinary Capital Resources;
- ii. Loan 2893-SRI for SDR 19,994,000 from ADB's Special Fund Resources.

Having considered the cabinet memo of Hon.Minister of Finance dated 25.07.2012 (Annex I) to obtain the loan the Cabinet has given approval by its decision dated 25.07.2012(Annex II). The closing date of both loans is 30/06/2017.

The above project comprises the following four sub projects of CEB under separate investment packages.

- a) Clean Energy & Network Efficiency Improvement Project - Package 1 (Mannar Transmission Infrastructure)

Lot A- Construction of 132/33kV Mannar Grid Substation

Lot B- Construction of New Anuradhapura to Vavuniya 55km, double circuit, twin zebra 220kV transmission line; and Vavuniya to Mannar 70km, double circuit, single zebra, 220kV transmission line

- b) Clean Energy & Network Efficiency Improvement Project - Package 2 (Construction of 132kV Transmission Infrastructure)

Lot A- Construction of 132/33kV Kegalle Grid Substation and augmentation of 132/33kV Thulhiriya Grid Substation.

Lot B- Installation of breaker switched capacitors at Biyagama, Sapugaskanda, oLd Kolonnawa, New Kolonnawa, Horana, Pannala and Bolawatta Grid Substations.

Lot C- Construction of Thulhiriya to Kegalle, 24km, double circuit, single zebra 132kV transmission line; Polpitiya to New Polpitiya 1.5km double circuit, twin zebra 132kV transmission line; Aturugiriya to Padukka ,10km, double circuit, twin zebra, 132kV transmission line; and re-building of Aturugiriya to Kolonnawa 15km, 132kV transmission line.

- c) Clean Energy & Network Efficiency Improvement Project - Package 3 (Construction of 220kV Transmission Infrastructure)

Lot A- Construction of New Polpitiya 220/132/33kV Grid Substation and Padukka 220/132/33kV Grid Substation, and augmentation of Pannipitiya Grid Substation.

Lot B- Construction of New Polpitiya to Pannipitiya, 69.2 km, double circuit, twin zebra, 220 kV transmission line through Padukka.

- d) Clean Energy & Network Efficiency Improvement Project - Package 4 (MV Network Energy Efficiency Improvement)

Lot A- Construction of Vauniya to Kebithigollewa 23km, 33kV tower line with 33kV gantry at Kebithigollewa; and New Anuradhapura to Kahatagasdigiliya 33km, 33kV tower line with 33kV gantry at Kahatagasdigiliya.

Lot B- Construction of Kiribathkumbura to Galaha 15km, 33kV tower line with 33kV gantry at Galaha; Galmadu Junction to Akkaraipatthu ,16km, 33kV tower line with 33kV gantry at Akkaraipatthu; and Akkaraipatthu to Pothuvil ,42km, 33kV tower line with 33kV gantry at Pothuvil.

2.0 Discription

Effective dates of the Contracts of the sub projects of the above projects are being implemented under the above loan are as follows,

- (i) Package 1 has two lots and Effective Dates of Contracts were 22/04/2015 and 05/05/2015 for Lot A and Lot B respectively;
- (ii) Package 2 has three lots and Effective Dates of Contracts were 01/01/2015, 01/04/2015 and 01/02/2015 respectively for Lots A, B and C;
- (iii) Package 3 has two lots and Effective Dates of Contracts were 26/05/2015 and 26/06/2015 for Lot A and Lot B respectively; and
- (iv) Package 04 has two lots and Effective Date of both Contracts was 06/06/2015. Therefore contract period of all these Contracts will ends in June 2017.

However the implementation time is 2 years from the effective date of the Contracts. Further, all contracts include 540 days of Defect Liability Period and provisions for time extensions under *force majeure* situations. After commencement of the above contracts, ADB's concurrence has been received for the following scope changes of Package 1, Package 2 and Package 3 components.

Package 01- Lot A

Addition of one 220/33kV, 45MVA, transformer, and deletion of one 132/33kV 31.5MVA transformer at Mannar Grid Substation, and deletion of 2x132kV transmission line bays at Vauniya Grid Substation from the Scope of the Contract.

Package 02- Lot A

132kV gantry modification at Thulhiriya Grid Substation

Package 03- Lot A

Construction of two additional 220kV line bays at New Polpitiya Grid Substation;
Procurement of equipment for two 220kV line bays at New Anuradhapura Grid Substation;
and Procurement of two spare single phase 220/132kV 250/3MVA transformer units.

Therefore considering the above situation it is needed to have further 40 months extension of loan validity from 30.06.2017 to implement the project, Otherwise Ceylon Electricity Board has to spent government funds, Which could be created practical difficulties due to prevailing financial situation.

3.0. Proposal

Having considered the above reasons It is proposed to extend the loan agreement of Clean Energy & Network Efficiency Project Loan 2892/2893 (SF)-SRI. Project signed with Asian Development bank for another 40 months from the date of 30.06.2017.

4.0. Approval

Approval is seeking for the above proposal at 3.0.

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