

November 4, 2011

Comments from Switzerland on SREP Investment Plan of Honduras

Dear Patricia,

Please receive attached our comments regarding SREP IP for Honduras.

Best regards,
Daniel Menebhi

Daniel Menebhi
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SREP Investment Plan for Honduras

We thank Honduras for a well prepared Investment Plan.

We welcome a good balance between capacity building, grid-connected measures to assure energy security and productive use of electricity as well as the sustainable rural energization.

We support the endorsement of the SREP Investment Plan for Honduras.

We have the following questions and comments:

1. The IP mentions that the national power utility ENEE has awarded PPAs for a total of 708 MW of renewable energy (49 projects representing an investment of \$2.5 billion). To what extent is ENEE able to sustain these PPAs from income? Are government (or other) subsidies foreseen/necessary? From what sources will these be financed?
2. A key component in the ADERC is the establishment of a Risk Capital Fund (\$10 million SREP capital contribution + \$10 million from the MDBs). It is not clear from the IP how flow-backs to this fund are used to extend the program beyond the initial projects (12-15 projects representing 60 MW). Could this be clarified and quantified?
3. In the ERUS program, with regards to electricity access for rural households, the IP does not state any preference for a certain technology, except that it should be off-grid. Is there such a preference? Which and Why?
4. In the ERUS program, we also miss a more detailed outline of the mechanisms that should bring the scaling-up of sustainable rural electrification using RE. We understand that such mechanisms are dependent to some extent on the choice of technology. Yet we would welcome at least some indications as to how the \$24 million to be spend (incl. \$6 million from the SREP) should bring a transformational impact.
5. Many of the baselines and objectives in the result framework remained undefined ("tbd").
6. The IP foresees heavy investments into the power transmission infrastructure (\$56.5 million incl. \$4 million from the SREP) which seem to be in the traditional large grid long distance high voltage field (although not clearly specified). We would like to emphasize that transmission and/or distribution infrastructure should be conceived taking into account the specificities of connecting electricity generation from RE to the grid. Since the sources of power in the case of RE are much smaller and more numerous than with traditional power generation, the grid connections and development should be adapted. We would expect more local (medium voltage) distribution networks, rather than long distance high voltage transmission lines. Also, the specific issues with regard to grid protection should be addressed, as well as the grid control and management issue.
7. With regards to the ERUS program, we believe that larger scale replication can be achieved best by inducing the beneficiaries to pay for their off-grid installations, using a micro-credit scheme to finance them. Also, issues like maintenance, after sales service and recycling/disposal of used equipment must be addressed. For solar PV systems, life cycle considerations should ensure that the most sustainable and environmentally sound technology is used.

Berne, 4th November 2011

