



Independent transmission projects

March 2024

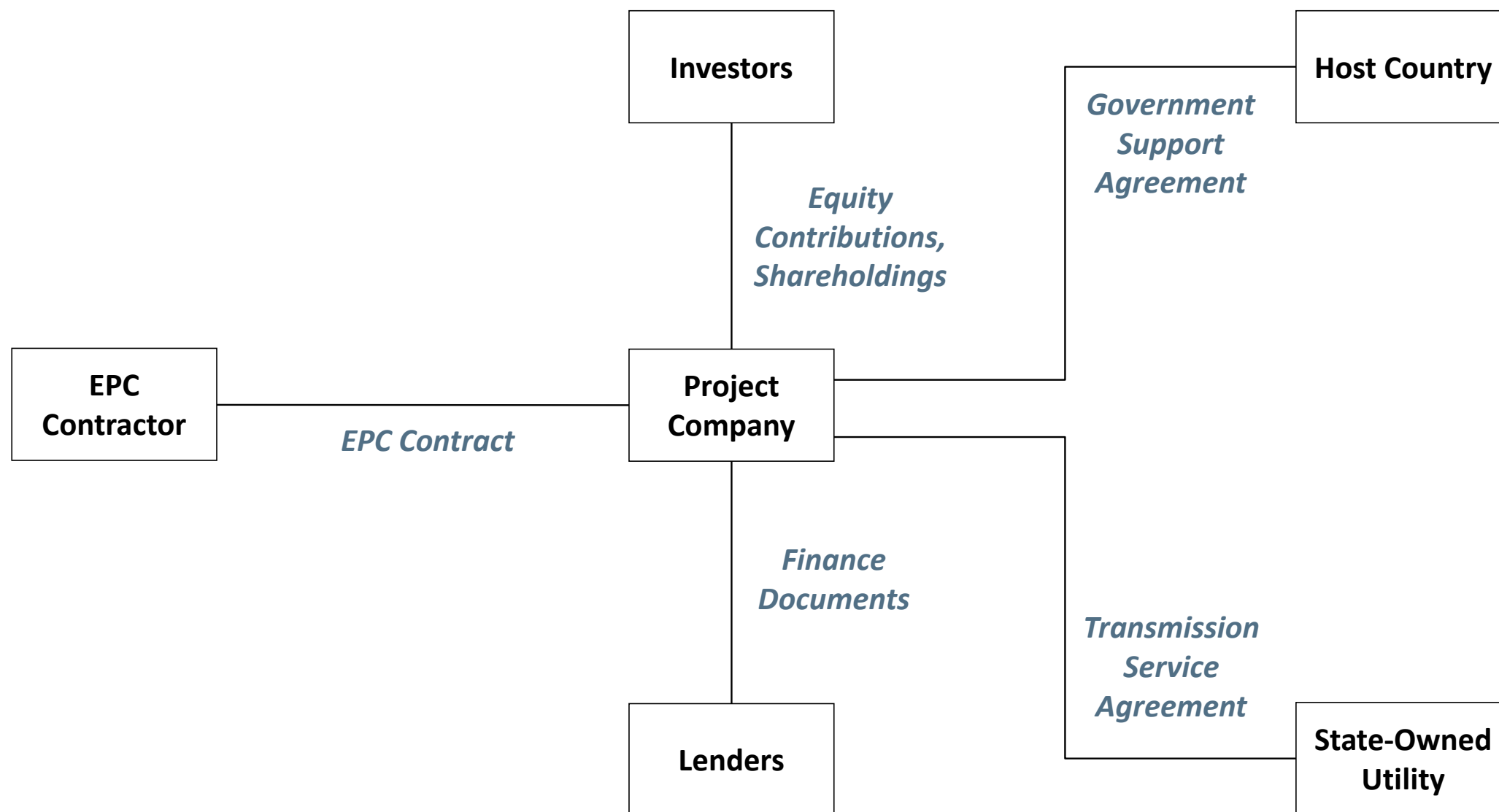
1. ITPs are operated as part of an integrated transmission system, not by the project company.

- The state-owned transmission company or system operator operates the transmission network by dispatching generation and balancing the system
- ITPs do not lead to a **loss of control** over dispatch or the transmission system

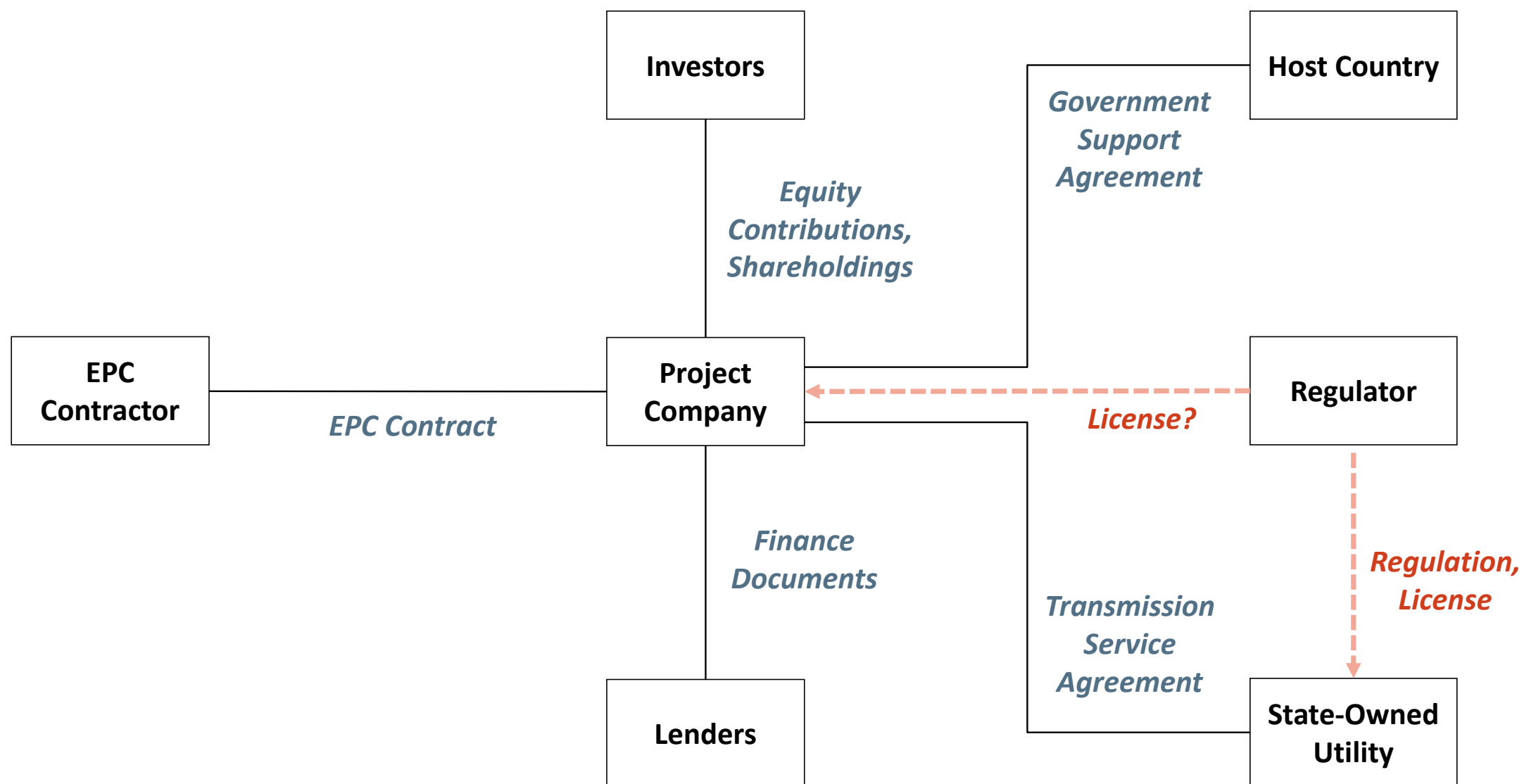
2. ITPs can be implemented in virtually any enabling environment.

- **Requirements for the legal framework**
 - A suitable **licensing regime**
 - Clear **authority** by the government, sector regulator, or state-owned transmission utility to award the transmission service agreement and government support agreement
- **Things that are not required**
 - An independent regulator is not necessary (but is helpful)
 - State owned utility can be vertically integrated or unbundled
 - None of a grid code, distribution code, or dispatch code are required

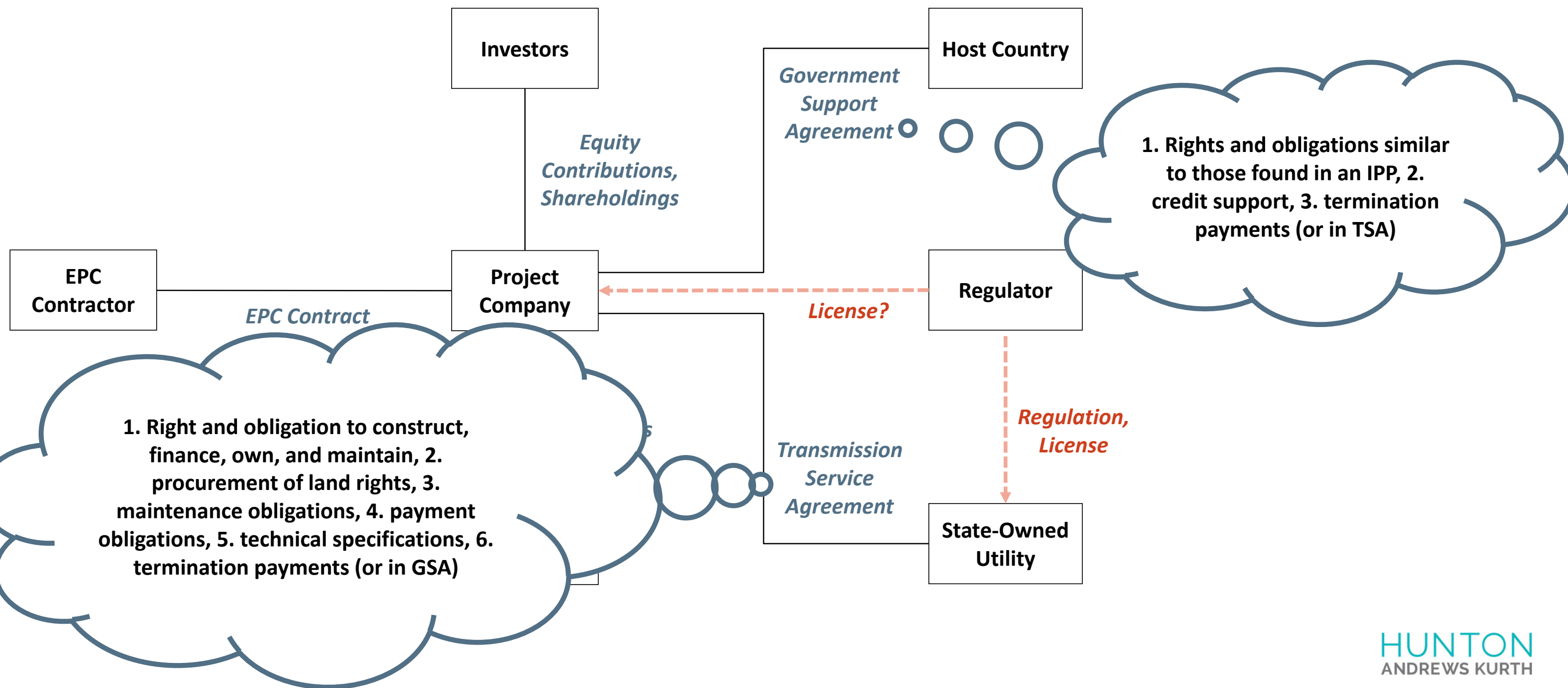
3. The contractual and regulatory structure is similar to an IPP.



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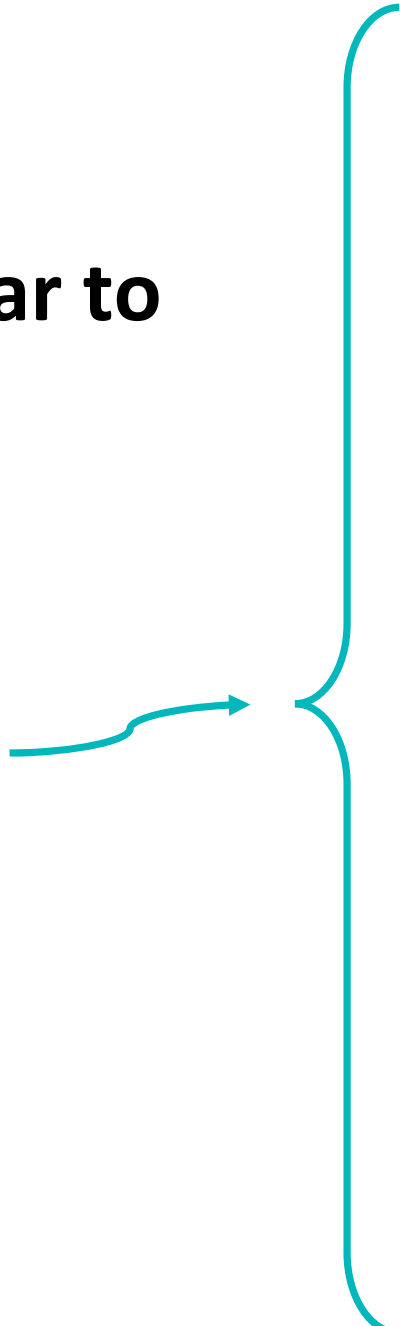


4. Revenues are predictable, enabling the use of project finance techniques.

- **If the project company maintains the asset**
 - Project company paid for the **availability** of the asset
 - Reductions to availability payments are weighted by the amount of time the transmission asset is not available or is partially available
 - Actual power flows do not affect payment obligations (unless due to lack of availability)
- **If the state-owned utility maintains the asset**
 - Payments are effectively **lease payments**
 - Payments not affected by availability
 - Actual power flows do not affect payment obligations

5. The market is familiar with the risk allocation.

- Risk allocations similar to an IPP.
- The position paper contains proposed risk allocations



Risk	Who bears the risk?	Comments
Financial		
Demand risk	State owned transmission company, Consumers	Demand risk is effectively allocated to the state owned transmission company through the use of an availability payment. In a well-regulated sector, the demand risk would be re-allocated to consumers by the tariff methodology that is used to regulate the state owned transmission company or to establish the rates paid by consumers.
Credit risk	Host government	Unless a state owned transmission company has an investment grade credit rating – which is highly unusual in emerging markets – some form of credit support for the payment obligations of the state owned transmission utility will be necessary. This may take the form of a sovereign guarantee, a partial credit guarantee, partial risk guarantee, or a put and call option agreement combined with liquidity support.
Inflation	Consumers	The O&M component of the availability payment will typically be adjusted for inflation.
Interest rates	Hedge counterparties	In most cases, the level of the availability payments will not change depending on changes in risk free interest rates. Instead, the project company would typically either borrow at fixed rates of interest or, more likely, hedge its exposure to floating interest rates by entering into interest rate swaps.