

Information Note

Response from the Meth Panel to the request contained in paragraph 25 of the fifty-fourth meeting report of the Executive Board

1. The Meth Panel (the panel) is of the opinion that it is not possible to use ex ante dispatch data for the calculation of the simple operation margin or the simple adjusted operating margin emission factor as requested by the CDM Executive Board, but that it may be possible to calculate an ex ante operating margin emissions factor based on dispatch analysis data.
2. The panel believes that the use of ex post dispatch analysis data when available is the most accurate approach to determine the operating margin emission factors and should be used whenever possible. It should be noted however, that the use of the ex-post dispatch analysis data operating margin requires the project proponents to obtain data on the displacement of the grid on an hourly basis.
3. This is the case for the majority of the project activities based on a low emitting power plant but not all. In some methodologies the displacement of grid electricity is obtained as the difference between power generation of the project activity plant minus the electricity which would have been generated in the baseline situation, which is determined only at the annually level (case of project activities increasing the capacity of an existing plant). The same applies to the majority of the demand side management project activities (use of energy efficient appliances) for which only annual electricity savings are available. This is the main reason why the panel is inclined not to mandate dispatch analysis as priority.
4. The panel is of the opinion that further analysis would be needed to determine if the use of ex ante dispatch analysis is suitable compared with other methods of estimating operating margin. On one side, it can be argued that the dispatch of power plants at the margin of the merit order of generation is more susceptible to temporal variation than the average dispatch of power plants. Change in the relative price of fuel will affect the amount of generation of each power plant as well as the lambda factor, but its impact on the power plants at the margin of the merit order may be larger. On the other hand, in a host country with relatively stable relative prices of fuel and/or high variability regarding hydropower generation, the dispatch data would give a better representation of the power displaced by a project activity than an average based on all thermal power plants of the grid.

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