UNFCCC Secretariat

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Response to requests for review
"CUIDEMOS Mexico (Campana De Uso Intelegente De Energia Mexico) - Smart Use of Energy Mexico" (2535)

Dear Members of the CDM Executive Board,

Executive Board members have raised two issues derived from paragraph 37 of the CDM modalities and procedures. It is the view of the Coordinating Entity that both of these issues can be resolved to the satisfaction of Executive Board members without requiring a full review of the CUIDEMOS Mexico PoA.

The Coordinating Entity has provided responses below, and has also made minor changes to the SSC-PoA-DD in relation to Requirement 1, to ensure that such clarifications are reflected in the programme documentation.

Requirement 1
The PDD and the VR should reflect that the ex-ante grid emission factor will be revised at the point of renewal of the crediting period of the PoA as it could be interpreted at present that it is intended that the emission factor will be fixed for the lifetime of the PoA.

The Coordinating Entity acknowledges the requirements set out in Section G of the *Procedures for Registration of a Programme of Activities as a Single CDM Project Activity and Issuance of Certified Emission Reductions for a Programme of Activities* (version 3, EB 47). The renewal of the crediting period of the PoA after a period of seven years will include a revision of the Emission Factor based on the most up to date, official data available. The Coordinating Entity intends to conduct such a revision, and wishes to clarify that the Emission Factor will therefore not be fixed for the lifetime of the PoA.

In order to ensure that this clarification is represented in the programme documentation, updated wording to this effect has been inserted on pages 32 and 36 of the SSC-PoA-DD, as follows:

Section E.6.2, page 32

Based on the value obtained for the operating margin (0.653 tCO2/MWh) and build margin (0.375 tCO2/MWh) emissions factors, a combined margin emissions factor of 0.514 tCO2/MW**h** will be used for the CUIDEMOS Mexico PoA, until the renewal of the PoA crediting period is undertaken at which point the Emission Factor will be revised.

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Section E.6.3, page 36

Data / Parameter	EF
Any comment	EF will be revised at the point of renewal of the crediting period of the PoA.

Requirement 2
The request for registration indicates that version 9 of AMS-II.C is applied. However, the PDD and the VR applies the provisions of version 10 of the methodology. The DOE is thus requested to clarify why a Corrective Action Request was not raised during validation regarding the incorrect application of version 9 of the methodology. In addition, the DOE is requested to further substantiate the appropriateness of average technical grid loss during year y (l_y) value used as
AMS-II.C v10 caps l_y to 10%, whereas, l_y used for the programme is 13.55%.
The Coordinating Entity has applied version 9 of AMS IIC because this was the most up to date version available at the time of compiling the project design documents and commencing validation. Further, the PoA was submitted for registration prior to the expiry deadline for this version of the methodology. It is therefore appropriate that version 9 of the methodology be applied to the PoA.

In order to make the calculations of emission reductions more robust, and the description of the baseline scenario more conservative two additional variables - transmission and distribution losses (T&D) and baseline penetration (BP), have been utilised for this PoA. These variables are supplementary to version 9 of the methodology, however, the Coordinating Entity believes that their application represents a best practice approach, and should not be interpreted as applying version 10 of AMS IIC.

Transmission & Distribution Losses
Consideration of T&D losses is standard practice in the determination of demand side energy savings. Savings of T&D losses is in fact one of the great benefits of improved residential energy efficiency. Whilst, including a T&D variable in the calculation of emission reductions is supplementary to the underlying methodology, it is justifiable because it captures with greater accuracy the saving generated by demand side energy efficiency technologies.

The fact that all subsequent versions of AMS IIC (versions 10 through 12), as well as other methodologies dealing with demand side energy efficiency such as AMS IIJ, make provision for T&D savings, is testament to the fact that its inclusion within the emission reduction calculations set out in the PoA is robust.

The use of a value of 13.55% is also justifiable because it is based on current, official government data sourced from the reports of Mexico's national utility CFE. The sources for this information are provided in the SSC-PoA-DD, and these documents are publicly available. The current versions of both AMS IIC (v.12) and AMS IIJ (v.3) do not cap T&D losses at 10% where reliable data is available. Under these

methodologies, a default 10% T&D value should only be applied where no reliable data is available. The Coordinating Entity believes that given the value of 13.55% T&D losses is based on reliable, government data the use of this value is reasonable, rather than a default value of 10%.

In summary, whilst the inclusion of T&D losses is supplementary to version 9 of AMS IIC, this should not be interpreted as using version 10 of the methodology, but rather a best practice approach to the calculation of demand side energy savings. Further, the use of a T&D value of 13.55% is appropriate because it is based on reliable, accurate government data.

Baseline Penetration
In order to accurately and conservatively describe the baseline scenario, the Coordinating Entity has included consideration of households that autonomously purchase energy saving lamps (CFLs). Whilst accounting for the use of the project technology (CFLs) in the baseline is supplementary to the explicit requirements of version 9 of AMS IIC, both the DOE and Coordinating Entity agreed that using such a conservative approach to the determination of the baseline and calculation of emission reductions was appropriate. This should not be interpreted as use of provisions in version 10 of AMS IIC, but rather a conservative approach for describing the baseline scenario. This approach **reduces** the number of CERs that will be claimed under the PoA, and ensures that the environmental integrity of the CDM is maintained.

It is also worth highlighting that such an approach has been advocated by the Executive Board in previous requests for review. In a request for review dated 11.07.2008 relating to the "Visakhapatnam (India) OSRAM CFL distribution CDM Project", Executive Board members requested clarification of "how the baseline is selected without consideration of the CFL penetration rate in the Indian market". Explicit in the request is the requirement that PPs take into account the autonomous uptake of project technologies in the baseline scenario. This project was also using version 9 of AMS IIC.

Such an approach to baseline determination was required of the aforementioned project using the same methodology version and same technology as the proposed PoA, the Coordinating Entity therefore reaffirms to the Executive Board that the approach used is conservative, is consistent with the previous preference shown by the Executive Board, and should not be interpreted as using version 10 of AMS IIC.

We hope that the clarifications provided are acceptable to the Executive Board.

Yours sincerely

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