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Att: CDM Executive Board

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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,

We refer to the requests for review raised by three Board members concerning DNV's request for registration of the programme of activity (PoA) 2535 "CUIDEMOS Mexico (Campana De Uso Intelegente De Energia Mexico) - Smart Use of Energy Mexico" and we would like to provide the following initial response to the issues raised.

Comment 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.

DNV Response:

In accordance with paragraph 24 of the procedures for the registration of a programme of activities as a single CDM project activity and issuance of CERs for a PoA, the "Procedures for Renewal of a Crediting Period of a Registered CDM project activity" shall be applied to the PoA every seven years. According to the "Tool to assess the validity of the original/current baseline and to update the baseline at the renewal of a crediting period" in the "Procedures for Renewal of a Crediting Period of a Registered CDM project activity" data and parameters that were only determined at the start of the crediting period and not monitored during the crediting period will have to be updated. Hence, updating the grid emission factor is an obvious step at the renewal of the PoA and was thus not explicitly included in the PoA design document (PoA-DD).

The project participants have revised section E.6.3 of PoA-DD to include an explicit statement that the grid emission factor will be updated at the renewal of the PoA.

Comment 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 (ly) value used as AMS-II.C v10 caps ly to 10%, whereas, ly used for the programme is 13.55%.

DNV Response:

The PoA applies version 9 of AMS-II.C and was submitted for registration within the grace period of version 9 of AMS-II.C. DNV thus validated the project against the requirements of version 9 of AMS-II.C.

We acknowledge that the project applies two variables which are not explicitly included in version 9 of AMS-II.C, namely

i) A discount factor of 5% to account for any possible autonomous replacement of incandescent bulbs
ii) The consideration of technical grid losses of 13.55% in the determination of the amount of electricity generation reduced as a result of the project

As part of the validation DNV's requested (please refer to CAR 4 raised in DNV's validation report) the project participants to justify that the baseline assumes that no replacement of incandescent bulbs by CFLs would occur given that there are energy efficiency campaigns of key institutions such as FIDE (Trust Fund for Electrical Energy) and CONAE (National Energy Savings Commission). To respond to this request, the project participants eventually proposed that energy savings attributable to the program are reduced by 5% to account for any possible autonomous replacement of incandescent bulbs although the uptake of CFLs by low-income households targeted by the PoA was shows to be very limited. DNV accepted the introduction of this discount factor in the determination of the baseline, although not required by version 9 of AMS-II.C, as it results in more conservative emission reductions.

The consideration of technical grid losses is common in the determination of demand side energy savings and was thus also introduced in later versions of AMS-II.C. The use of a technical grid loss was thus in DNV's opinion justified. The section value of 13.55% is derived from publicly available and official government data sourced from the reports of Mexico's national utility CFE. It must also be noted that the most recent version of AMS-II.C (version 12) does not cap technical grid losses at 10% where reliable data is available and a default of 10% only needs to be applied where no reliable data is available.

We acknowledge that the application of technical grid losses is not included in version 9 of AMS-II.C, neither is there a requirement in AMS-II.C for project participants to have to account for any possible CFL uptake in the baseline. In this context, we would also like to note that while the consideration of technical grid losses is also allowed for in the most recent version of AMS-II.C (version 12), the Board agreed to eliminate the requirement to perform baseline penetration calculations. Hence, the provisions in the PoA submitted for registration result in emission reductions that are more conservative than if applying version 12 of AMS-II.C. In the light of the above, we sincerely hope that the Board accepts our explanations for allowing the PoA to apply these two variables despite of not being explicitly included in version 9 of AMS-II.C.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS

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