

4 August 2006

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning AENOR's request for registration of the "CAPEX S.A. – Agua del Cajón Thermal Power Plant – Open to Combined Cycle Conversion" (Ref 0443) and would like to provide an initial response to these requests for review.

Reason for Request 1

The eligibility of the project activity for CDM is doubtful, since the project activity start date – and start of the crediting period – is stated as 17.01.2000, which is said to be the date of commercial operation of the project activity. However, the conversion of open to combined cycle took place much before 1 January 2000. A comment received on the subject was thus answered: "effectively in the website [of Capex S.A.] it is mentioned that the project started operation in November 1999. According to information provided by CAMMESA and ENRE to the validation team during the interviews, this only means that some operational proofs were undertaken in that date in order to meet the requirements established by CAMMESA to authorize the commercial operation of the new steam turbine."

Further, the project activity was conceived under the "Activities Implemented Jointly" and all evidences provided for the investment decision centred on the same AIJ and possibly the project activity was implemented or constructed under the same mechanism. Only at a later stage it was converted to CDM. Hence, the project activity failed to pass Step 0 of the Additionality tool, due to the lack of proper evidences for considering CDM at the time of project implementation, as well as the dubious consideration of the real "starting date" of the project activity.

Also, the project used version 1 of the Additionality Tool, instead of version 2 dated 28 Nov. 2005, which is rather strange, since the methodology used – ACM0007 – is also dated 28 Nov. 2005.

Answer regarding request 1:

a) Starting date

The starting date of the project is considered 2000-01-17 as it is stated in the document Note N° B – 5239-3 from CAMMESA that reflects access to the MEM (Mercado Eléctrico Mayorista, Wholesale Electricity Market), of the steam unit ACAJTV07 of the thermal power plant Agua del Cajón.

This information was confirmed during the interviews in Buenos Aires, Argentina, with CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico, S.A) (Electrical Whole Market Administrator) and ENRE (Ente Nacional Regulador de la Electricidad) (National Regulatory Entity for Electricity).

This starting date of a CDM project activity, as defined when performing the validation and currently, is the date at which the implementation or construction or real action of a project activity begins. Agua del Cajón Thermal Power Plant fulfils this requisite since was constructed in 1999 and started commercial operations on 2000-01-17.

The real action of the project is 2000-01-17 since from this date Agua del Cajón was able to deliver electric energy into the market, emission reductions were achieved by the project and CAPEX was able to calculate and document them.

There is no dubious consideration regarding the real starting date of the project activity since the evidence that demonstrates clearly that the starting date of the project is 17 January 2000 was referenced in the Validation Report (Ref. 2005/0003/CDM/01) as Reference 10 and it has been scanned and attached to this answer.

b) Step 0 of the Additionality tool

The Step 0 of the Additionality Tool indicates “Provide evidence that the incentive from the CDM was seriously considered in the decision to proceed with the project activity” and “This could include evidence of the objective to mitigate climate change”.

The fact that CAPEX considered the CDM incentive is presented in a very transparent manner in the PDD. Numerous evidences are described in the PDD and the validation team assessed and reflected them in the validation report. Any of them can be scanned and forwarded if required.

According to UNFCCC, AIJ are undertaken on a voluntary basis and are to bring about climate change mitigation benefits that would not otherwise occur. The fact that the project is listed also in the UNFCCC web page¹ under the section “Activities Implemented Jointly” is a clear evidence that CAPEX considered the objective to mitigate climate change since the beginning.

c) Version of the Additionality tool

This is a minor misprint in the PDD. The Additionality Tool used by the validation team was that of version 2 as indicated in the validation report. The PDD, at present, fulfils all the steps required in the mentioned tool in the correct way.

Reason for Request 2

The eligibility of the project activity for CDM is doubtful, since the project activity start date – and start of the crediting period – is stated as 17.01.2000, which is said to be the date of commercial operation of the project activity. However, the conversion of open to combined cycle took place much before 1 January 2000. A comment received on the subject was thus answered: “effectively in the website [of Capex S.A.] it is mentioned that the project started operation in November 1999. According to information provided by CAMMESA and ENRE to the validation team during the interviews, this only means that some operational proofs were undertaken in that date in order to meet the requirements established by CAMMESA to authorize the commercial operation of the new steam turbine.”

Also the project activity failed to pass Step 0 of the Additionality tool, due to lack of proper evidences for considering CDM at the time of project implementation, as well as the dubious consideration of the real “starting date” of the project activity.

Finally, the project used version 1 of the Additionality Tool, instead of version 2 dated 28 Nov. 2005, which is rather strange, since the methodology used – ACM0007 – is also dated 28 Nov. 2005.

Answer regarding request 2:

These issues have been addressed above.

¹ http://maindb.unfccc.int/aij/report.pl?mode=wim&host=&host_region=&investor=&proj_type=&title=capex

Reason for Request 3

The eligibility of the project activity for CDM should be clarified, since the project activity start date – and start of the crediting period – is stated as 17.01.2000, which is said to be the date of commercial operation of the project activity.

Answer regarding request 3:

These issues have been addressed above.

CAPEX S.A. – Agua del Cajón Thermal Power Plant – Open to Combined Cycle Conversion, is a very high quality CDM project. We hope that considering the clarifications described earlier in this document and changing the minor misprint concerning the version of the Tool of Additionality, the Project can be registered as a CDM project activity.

Javier Vallejo Drehs will be the contact person for the review process and is available to address questions from the Board during the consideration of the review if required by the Executive Board.

Contact details:

Javier Vallejo Drehs

Climate Change Unit

Business Development Division

Email address: javiervallejo@aenor.es

Mobile number: 00 34 669 24 02 23

Best Regards



Jose Luis Tejera Oliver
CDM Director



CAMMESA

Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima

Av. E. Madero 542 - 1º Piso - (1105) Buenos Aires - Argentina - Tel: (54-1) 319-3700 - Fax: (54-1) 215-4716
Ruta 34 5º Km. 3,5 - (2121) Ferez - Pcia. Santa Fé - Argentina - Tel: (54-41) 95-8300 - Fax: (54-41) 95-8301

Buenos Aires, 20 de Enero de 2000
Nota Nº B - 5239-3

Señores
CAPEX S.A.
C.T. AGUA DEL CAJÓN
Dr. Hugo CABRAL
Carlos Melo 632
1638 VICENTE LOPEZ - Pcia. de Buenos Aires

Ref.: Ingreso de la unidad TV07 de C.T. Agua del
Cajón, CAPEX S.A., al MEM.
Habilitación Comercial.

De nuestra consideración:

Tenemos el agrado de dirigimos a Ud. para notificarle que, en función de lo expresado en nuestra nota B-5239-2, hemos autorizado la habilitación para la operación comercial en el MEM de la Unidad ACAJTV07 de la C.T. Agua del Cajón de CAPEX S.A. a partir de las cero (0) horas del 17 de enero de 2000.

Adjuntamos a la presente la notificación cursada a la Secretaría de Energía.

Sin otro particular, saludamos a Ud. muy atentamente.

6/A

ING. CARLOS F. SANCHEZ
GERENTE ATENCIÓN AGENTES

Adj:
Se adjunta copia de la Nota Nro. : B-5239-1

Translation of the Note B – 5239 – 3

Notes:

C.T. = Central Térmica = Thermal Power Plant
MEM = Mercado Eléctrico Mayorista = Wholesale Electricity Market

CAMMESA

Electrical Whole Market Administrator

Buenos Aries, 20 January 2000
Note N° B – 5239 – 3

Dear
CAPEX, S.A.
C.T. AGUA DEL CAJÓN
Dr. Hugo CABRAL
Carlos Melo 632
1638 VICENTE LOPEZ – Pcia de Buenos Aires

Ref. Entry of the TV07 Unit of C.T. Agua del Cajón, CAPEX S.A., into MEM. Commercial authorisation.

Dear Sir:

We are pleased to inform you that, according to our note B-5239-2, we have authorized, for commercial operation in the MEM, the Unit ACAJTV07 of the C.T. Agua del Cajón of CAPEX S.A. at 00:00 hours on 17th January 2000.

The notification to the Secretaria de Energía is attached to this document.

Yours faithfully,

Ing. Carlos F. Sanchez
Actor Attention Manager

Attachment:

It is attached a copy of the Note: B-5239-1
