RESPONSE TO REQUESTS FOR REVIEW

BVQI have performed the validation of the CDM Project "Grid-connected electricity generation from renewable sources at Supa, Taluka Parner, Dist. Ahmednagar, by M/s. Bajaj Auto Ltd. (BAL) using wind Power". The request for registration was completed on 6th January 2006. The reference number of the project activity is UNFCCC00000224CDMP.

Subsequently, there have been 5 requests for review.

We thank the CDM executive board and the secretariat for giving us the opportunity to respond to the requests for review.

We find that each of the five requests is made against the two requirements of modalities and procedures, viz. additionality and baseline and monitoring methodologies.

We further note that specific reasons for the review against the additionality requirement are available in four of the five requests.

We also find that no specific reasons have been assigned for the baseline and monitoring methodologies. We therefore believe that our clarifications below will suffice in this regard as well.

The overall validation, from Contract Review to Validation Report & Opinion, was conducted using internal procedures (BMS, September 2003) which were audited by the CDM Accreditation Team in December 2004.

It may be noted that the project activity involves generation of electricity using wind mills by BAL who are one of the leading two wheeler manufacturers in the world. The power generated by these windmills is wheeled for captive consumption for BAL manufacturing units. The PDD uses western regional grid in India for baseline estimates. As mentioned in section B.1 of the PDD, the project activity fulfills the applicability conditions of the consolidated methodology ACM0002 version 4. The version 04 was the then valid version of the methodology during the validation process.

We therefore hereby confirm that in the opinion of the validation team, the said CDM project activity has correctly applied the baseline and

monitoring methodologies ACM0002.

We give below our response to the requests for review. The initial discussions below are our common summary response to all the requests for review. Additionally, for the purpose of clarity, we also have attempted to give individual response to each of the requests for review of the CDM Project. These individual responses are derived from the common response below.

Common Response :

We observe that the main reason cited to requests is additionality. The gist of the comments is :

1. No word about the evidence which enables project to pass step 0 [of too for demonstration and assessment of additionality]
2. The PDD has muddled up the arguments on the investment analysis and the barrier analysis
3. The investment barrier analysis is based only on IRR. The increase in IRR after CDM benefits does not clear the hurdle rate
4. The arguments on additionality are not convincing
5. The validation report is not sufficiently transparent and DOE should qualitatively address the different aspects of the PDD and not just make a desk study.
6. The DOE stated at step 4 that the justification on additionality is not adequate however concluded that this is OK.
7. The DOE has not stated that the project participants have corrected the PDD as pointed out

BVQI response :

We wish to clarify here that the validation for two windmill CDM projects [# 224 at Supa & # 221 at Satara] of BAL was conducted together by two of BVQI validators.

1. As regards clearance of step 0, validation team has referenced the evidence of commissioning of the windmills after 01/01/2000 on page 15 to 17 under section 6 of the validation report. These documents from the local electricity board [a government organisation] provide conclusive evidence that the project activity windmills were commissioned between July – December 2001.

   By oversight, validation team missed the reference to the BAL board resolution dated 18/10/2000 providing evidence that both the projects were considered simultaneously in year 2000 as CDM projects. We sincerely regret omission of this important point.

   Validation team has referenced this document in the validation report for Satara project. This reference in the validation report of Satara project [#221] also mentions the consideration of Supa project [#224].

   Hence, in our opinion, the project clears the step 0 positively.

2. The project participant provided validation team with data on cost of unit power for wind mill and thermal power plant from ‘Maharashtra Energy Regulatory Commission [MERC] Order dated 24th November 2003’ under case # 17(3),3,4 & 5 of 2002. MERC is an independent government commission formed under ERC Act 1998. The MERC Order is a publicly available document. The data in the above mentioned order clearly shows that the unit cost of power for windmill is higher than the unit cost of power for one other alternative viz. thermal power plant. The validation team accepted coal power plant as a feasible alternative for BAL wind power project since the power generated from the windmills is used by BAL for captive consumption. The actual average tariff paid by BAL for the power imported from the grid is also lower than the unit cost of power from windmills as indicated in the MERC order. In conclusion, cost of unit power for two alternatives is less than the cost of unit power from

project activity.

The validation team had discussed the use of step 2 for the investment analysis parameters. Project participant during the interviews had expressed that providing publicly available substantive data for the alternatives to the project activity as required for sensitivity analysis under step 2d of the 'tool for demonstration and assessment of additionality' was not possible. Hence they had included the discussion on unit cost of power under step 3.

Considering that the project participant used publicly available data from MERC to prove that the unit cost of power for windmill was higher than that for coal power plant and the power imported from the grid, validation team accepted this approach.

We request that our validation report be read in conjunction with the Appendix A & Appendix B of the validation report to get to the depth of the assessment done during the validation activity. We further state that transparency is maintained by providing reference to the documents verified during the validation activity.

It is clear from these appendices that the validation report has comprehensively addressed all the aspects of the PDD.

We trust that this clarification indicates that validation team performed a qualitative assessment.

From the report, it is clear that the validation team physically visited the site of the project activity and interviewed the local stakeholders [pages 9, 14, 18 under sections 2.2, 3.6, 6 of the report].

We trust that with this clarification, the EB members will be convinced that validation team has done a qualitative assessment of the different aspects of the PDD and that our validation activity was not limited to desk review.

3. The investment barrier analysis is based on IRR, DSCR as well as the unit cost of power.

   It is true that the increase in IRR after CDM benefits does not cross the hurdle rate. But this does not necessarily negate the eligibility of the project as a CDM project.
   In all, the validation team considered IRR and DSCR, among others, as only supplementing the discussions on addionality. The key features based on which validation team considered the project activity as additional are explained below.

4. The validation team concluded that the project activity is additional based on the following key features of the project activity :

   i. The penetration of windmills in the state of Maharashtra at the time of making the decision on CDM project investment was very less [to the tune of 2.64%]
   ii. The proposed installed capacity for the project activity [20 MW] was comparable to the total installed capacity in the whole state of Maharashtra [approx. 24 MW] at the time of making the decision on CDM project investment in the year 2000.
   iii. There were uncertainties related to regulatory requirements in the Indian wind power sector at the time of making the decision on investment in the project activity. This was proved correct eventually by the actual changes in the tariff structure and the variations in the wheeling and transmission charges.
   iv. BAL had made a large investment [INR 909 Million] in the project activity.
   v. The unit cost of power for the project activity is higher than other two alternatives.

   During the validation process, the validation team assessed these arguments for correctness through documentary proofs and publicly available information as applicable, provided by the project participant.

   In the opinion of the validation team, the rest of the discussions in the PDD on additionality are only supplementary in nature to the above key features.

5. As discussed under point no. 2 above, we feel that validation team has conducted a qualitative assessment.

6. At step 4 [section B.3.1, page 30 of the validation report], validation team has stated that the justification on common practice is not adequate. The further discussions on this are available in terms of CAR3, response of the project participant to CAR3 and our conclusion from the assessment of the response documented in the validation from pages 52 to 54. The response from the project participant indicates that there were no 'similar' [installed capacity] activities at the time of making the decision. All the then existing wind mill installations were much smaller in capacity as compared to the project activity. The response of the project participant on page 54 clearly mentions that the PDD is revised reflecting the changes [details]. The validation team was otherwise convinced on the additionality of the project activity. Hence our conclusion in this matter was OK. This conclusion is reflected back at section B.3.1 on page 30 of the validation report.

7. As explained above at point no. 6, the project participant have clearly mentioned in their response that the PDD is revised to reflect the changes [details]. This is evident on page 54 of the validation report. Our positive conclusion at section B.3.1 on page 30 is an indirect indication that the PDD is revised suitably. Otherwise, as DOE, the validation team would not have closed the issue.

Our responses to the individual reasons are given on the next pages. These are in line with the common response given above.

Request for review no. 1

There is no specific reason assigned under this request for review. We therefore believe that our clarifications herein below will suffice for this request for review.

Request for review no. 2

Reasons and background for Request for Review	BVQI response
The project activity (PA) involves generation of electricity from wind (20MW) to supply the local grid. The PA uses the methodology ACM0002.	It may be noted that the project activity involves generation of electricity using wind mills by BAL who are one of the leading two wheeler manufacturers in the world. The power generated by these windmills is wheeled for captive consumption for BAL manufacturing units. The PDD uses western regional grid in India for baseline estimates. As mentioned in section B.1 of the PDD, the project activity fulfills the applicability conditions of the consolidated methodology ACM0002 version 4. The version 04 was the then valid version of the methodology during the validation process. Therefore, in the opinion of the validation team, the said CDM project activity has correctly applied the baseline and monitoring methodologies ACM0002. This is discussed in the validation report on pages 11 to 13 under sections 3.2 to 3.4.
The main point is additionality which was also questioned in two public comments. Additionality is mainly based on a barrier analysis: technological and investment. Neither seems to be convincing.	The validation team concluded that the project activity is additional based on the following key features of the project activity : 1. The penetration of windmills in the state of Maharashtra at the time of making the decision on CDM project investment was very less [to the tune of 2.64%] 2. The proposed installed capacity for the project activity [20 MW] was comparable to the total installed capacity in the whole state of Maharashtra [approx. 24 MW] at the time of making the decision on CDM project investment in the year 2000. 3. There were uncertainties related to regulatory requirements in the Indian wind power sector at the time of making the decision on investment in the project activity. This was proved correct eventually by the actual changes in the tariff structure and the variations in the wheeling and transmission charges. 4. BAL had made a large investment [INR 909 Million] in the project activity. 5. The unit cost of power for the project activity is higher than other two alternatives. During the validation process, the validation team assessed these arguments for correctness through documentary proofs and publicly

	available information as applicable, provided by the project participant. In the opinion of the validation team, the rest of the discussions in the PDD on additionality are only supplementary in nature to the above key features.
The investment barrier for example is based upon an. IRR of 9% without CDM and 9.4% with CDM to be compared to a hurdle rate of 15%.	The investment barrier analysis is based on IRR as well as the unit cost of power. It is true that the increase in IRR after CDM benefits does not cross the hurdle rate. But this does not necessarily negate the eligibility of the project as a CDM project. In all, validation team considered IRR, among others, as only supplementing the discussions on addionality. The key features based on which validation team considered the project activity as additional are explained above.
The validation report is not sufficiently transparent and clear in assessing the acceptance of the additionality of the project activity. (B.3.1 of the validation report). It only reflects that the project correctly applies the prescribed "tool for demonstrating additionality" The DOE should qualitatively address the different aspects of the PDD and not just make a desk study.	We sincerely regret that the EB member does not find the validation report transparent and clear in assessing the acceptance of additionality. We have analyzed the report internally to find out the reason for this. We find that generally, the validation reports contain of lot of repetition from the PDD as well as the information from CARs, CLs & comments, making it voluminous and non-value adding. In an attempt to keep the report concise and the repetition to the minimum, validation team relied more on the corrective action requests [CARs], clarification requests [CLs], responses of the project participant to CARs & CLs and our comments on such responses [forming a part of the validation protocol appended to the validation report from pages 19 to 58 as Appendix A], comments by public, responses of project participant to the public comments and our assessment based on the responses by project participant [forming a part of the report from pages 59 to 66 as Appendix B]. Considering the wealth of information provided by these discussions, validation team tried to avoid the repetition of these discussions in the main part [section 3] of the report. The main part of the report therefore provided mainly the decisions based on these discussions. We believe this may be the reason, our validation report does not appear sufficiently transparent and clear to the EB members. We request that our validation report be read in conjunction with the Appendix A & Appendix B of the validation report to get to the depth of the

	assessment done during the validation activity. It is clear that the validation report has comprehensively addressed all the aspects of the PDD. The transparency is also maintained by providing reference to the documents verified during the validation activity under section 6 of the validation report.. It is true that under section B.3.1 [page 30], the validation report reflects that the project correctly applies the "latest tool for demonstration and assessment of additionality". However, we wish to submit that it further concludes that the PDD does not provide sufficient justification as to why the existence of similar activities does not contradict the claim that the project activity is additional. The report here refers to CAR3 which is documented on pages 52 to 54 of the validation report. The response of the project participant - also documented on these pages - conclusively indicates that considering the capacity of the project activity there were no 'similar' [in capacity] activities present at the time of making the decision on the project activity. The project participant revised the PDD accordingly at section 4b. The validation team was convinced about the other features of the project activity leading to additionality. It was not necessary to raise queries on other features. Hence, a CAR only at step 4b was raised. Based on this response to the CAR3, the validation report at section B.3.1 [page 30] concludes that the project is additional. From the report, it is clear that the validation team physically visited the site of the project activity and interviewed the local stakeholders [pages 9, 14, 18 under sections 2.2, 3.6, 6 of the report]. We trust that with this clarification, the EB members will be convinced that validation team has done a qualitative assessment of the different aspects of the PDD and that our validation activity was not limited to desk review.

Request for review no. 3

Reasons and background for Request for Review	**BVQI response**
The argumentation regarding the investment barrier analysis is not sufficient for demonstration of additionality of the	The investment barrier analysis is based on IRR as well as the unit cost of power.

project, as is based only on the comparison of the IRR of the project with the average IRR in the sector, showing however that the difference is quite small.	It is true that the increase in IRR after CDM benefits does not cross the hurdle rate. But this does not necessarily negate the eligibility of the project as a CDM project. In all, validation team considered IRR, among others, as only supplementing the discussions on addionality. The key features based on which validation team considered the project activity as additional are explained earlier
The DOE has pointed out the need to correct the additionality arguments, but hasn't stated that the project participant have done so.	We believe this refers to the validation report at page 30 under section B.3.1, where validation team has pointed out the need to correct the additionality argument. This need for correction was limited to the justification why the existence of similar activities does not contradict the claim that the project activity is additional. The validation team was otherwise convinced of the additionality of the project activity as explained earlier in response to request for review no. 2. At step 4 [section B.3.1, page 30 of the validation report], validation team has stated that the justification on common practice is not adequate. The further discussions on this are available in terms of CAR3, response of the project participant to CAR3 and our conclusion from the assessment of the response documented in the validation from pages 52 to 54. The response from the project participant indicates that there were no 'similar' [installed capacity] activities at the time of making the decision. All the then existing wind mill installations were much smaller in capacity as compared to the project activity. The response of the project participant on page 54 clearly mentions that the PDD is revised reflecting the changes [details]. The validation team was otherwise convinced on the additionality of the project activity. Hence our conclusion in this matter was OK. This conclusion is reflected back at section B.3.1 on page 30 of the validation report. Our positive conclusion at section B.3.1 on page 30 is an indirect indication that the PDD is revised suitably. Otherwise, as DOE, validation team would not have closed the issue.

Request for review no. 4

Reasons and background for Request for Review (Additional notes)	**BVQI response**
The project participant did not provide any convincing argument to justify why the project activity is considered to be additional and the DOE did not make an independent qualitative assessment of	The validation team concluded that the project activity is additional based on the following key features of the project activity : 1. The penetration of windmills in the state of

independent qualitative assessment of this aspect of PDD.	Maharashtra at the time of making the decision on CDM project investment was very less [to the tune of 2.64%] 2. The proposed installed capacity for the project activity [20 MW] was comparable to the total installed capacity in the whole state of Maharashtra [approx. 24 MW] at the time of making the decision on CDM project investment in the year 2000. 3. There were uncertainties related to regulatory requirements in the Indian wind power sector at the time of making the decision on investment in the project activity. This was proved correct eventually by the actual changes in the tariff structure and the variations in the wheeling and transmission charges. 4. BAL had made a large investment [INR 909 Million] in the project activity. 5. The unit cost of power for the project activity is higher than other two alternatives. During the validation process, the validation team assessed these arguments for correctness through documentary proofs and publicly available information as applicable, provided by the project participant. The validation team was convinced of the additionality of the project activity based on these features. The validation report on page 12 under section 3.2 also mentions these features. The validation team considered the other features of the project activity only as supporting the above key features. We believe that with this clarification, the EB members will be convinced that validation team has done a qualitative assessment of the different aspects of the PDD.
In using the Additional Tool the PP muddled up the arguments using barrier analysis and investment analysis. Moreover, the investment analysis indicated that the two alternatives considered would have been cheaper than the proposed project activity.	The project participant provided validation team with data on cost of unit power for wind mill and thermal power plant from 'Maharashtra Energy Regulatory Commission [MERC] Order Order dated 24th November 2003' under case # 17(3),3,4 & 5 of 2002. MERC is an independent government commission formed under ERC Act 1998. The MERC Order is a publicly available document. The data in the above mentioned order clearly shows that the unit cost of power for windmill is higher than the unit cost of power for one other alternative viz. thermal power plant. The validation team accepted coal power plant as a feasible alternative for BAL wind power project since the power generated from the windmills is used by BAL for captive consumption. The actual average tariff paid by BAL for the power imported from the grid is also lower than the unit cost of power from windmills as indicated in the MERC order. In conclusion, cost of

	unit power for two alternatives is less than the cost of unit power from project activity. The validation team had discussed the use of step 2 for the investment analysis parameters. Project participant during the interviews had expressed that providing publicly available substantive data with respect to the alternatives to the project activity as required for sensitivity analysis under step 2d of the 'tool for demonstration and assessment of additionality' was not possible. Hence they had included the discussion on unit cost of power under step 3. Considering that the project participant used publicly available data from MERC to prove that the unit cost of power for windmill was higher than that for coal power plant and the power imported from the grid, validation team accepted this approach.

Request for review no. 5

Reasons and background for Request for Review	BVQI response
The main point is additionality which was also questioned in two public comments. Additionality is mainly based on barrier analysis: technological and investment. Neither seems to be convincing. The investment barrier for example is based upon IRR of 9% without CDM and 9.4% with CDM to be compared to a hurdle rate of 15%.	The validation team concluded that the project activity is additional based on the following key features of the project activity : 1. The penetration of windmills in the state of Maharashtra at the time of making the decision on CDM project investment was very less [to the tune of 2.64%] 2. The proposed installed capacity for the project activity [20 MW] was comparable to the total installed capacity in the whole state of Maharashtra [approx. 24 MW] at the time of making the decision on CDM project investment in the year 2000. 3. There were uncertainties related to regulatory requirements in the Indian wind power sector at the time of making the decision on investment in the project activity. This was proved correct eventually by the actual changes in the tariff structure and the variations in the wheeling and transmission charges. 4. BAL had made a large investment [INR 909 Million] in the project activity. 5. The unit cost of power for the project activity is higher than other two alternatives. During the validation process, the validation team assessed these arguments for correctness through documentary proofs and publicly available information as applicable, provided by the project participant. The validation team was convinced of the additionality of the project activity based on these features. The validation report on page 12 under

	section 3.2 also mentions these features. The investment barrier analysis is based on IRR as well as the unit cost of power. As discussed earlier, the unit cost of power from windmill was higher than the unit cost of power from coal power plant as well as power imported from the grid. It is true that the increase in IRR after CDM benefits does not cross the hurdle rate. But this does not necessarily negate the eligibility of the project as a CDM project. In all, validation team considered IRR, among others, as only supplementing the discussions on addionality. The key features based on which validation team considered the project activity as additional are explained earlier.
The validation report is not sufficiently transparent and clear in assessing the acceptance of the additionality of the project activity (B.3.1 of the validation report). It only reflects that the project correctly applies the prescribed "tool for demonstrating additionality".	We sincerely regret that the EB member does not find the validation report transparent and clear in assessing the acceptance of additionality. We have analyzed the report internally to find out the reason for this. We find that generally, the validation reports contain of lot of repetition from the PDD as well as the information from CARs, CLs & comments, making it voluminous and non-value adding. In an attempt to keep the report concise and the repetition to the minimum, validation team relied more on the corrective action requests [CARs], clarification requests [CLs], responses of the project participant to CARs & CLs and our comments on such responses [forming a part of the validation protocol appended to the validation report from pages 19 to 58 as Appendix A], comments by public, responses of project participant to the public comments and our assessment based on the responses by project participant [forming a part of the report from pages 59 to 66 as Appendix B]. Considering the wealth of information provided by these discussions, validation team tried to avoid the repetition of these discussions in the main part [section 3] of the report. The main part of the report therefore provided mainly the decisions based on these discussions. We believe this may be the reason, our validation report does not appear sufficiently transparent and clear to the EB members. We request that our validation report be read in conjunction with the Appendix A & Appendix B of the validation report to get to the depth of the assessment done during the validation activity. It is clear that the validation report has comprehensively addressed all the aspects of

	the PDD. Transparency is also maintained by providing reference to the documents verified during the validation activity under section 6 of the validation report. It is true that under section B.3.1 [page 30], the validation report reflects that the project correctly applies the "latest tool for demonstration and assessment of additionality". However, we wish to submit that it further concludes that the PDD does not provide sufficient justification as to why the existence of similar activities does not contradict the claim that the project activity is additional. The report here refers to CAR3 which is documented on pages 52 to 54 of the validation report. The response of the project participant - also documented on these pages - conclusively indicates that considering the capacity of the project activity there were no 'similar' [in capacity] activities present at the time of making the decision on the project activity. The project participant revised the PDD accordingly at section 4b. The validation team was convinced about the other features of the project activity leading to additionality. It was not necessary to raise queries on other features. Hence, a CAR only at step 4b was raised. Based on this response to the CAR3, the validation report at section B.3.1 [page 30] concludes that the project is additional.
The DOE should qualitatively address the different aspects of the PDD and not just make a desk study. At least this points should have been discussed by the DOE	We give the response to each of the sub-queries below.
• No word about the evidence which should enable this early started project to pass step 0	As regards clearance of step 0, validation team has referenced the evidence of commissioning of the windmills after 01/01/2000 on page 15 to 17 under section 6 of the validation report. These documents from the local electricity board [a government organisation] provide conclusive evidence that the project activity windmills were commissioned between July – December 2001. By oversight, validation team missed the reference to the BAL board resolution dated 18/10/2000 providing evidence that both the projects were considered simultaneously in year 2000 as CDM projects. We sincerely regret omission of this important point. Validation team has referenced this document in the validation report for Satara project [# 221]. This reference also mentions the consideration of Supa project [#224]. Hence, the project clears the step 0 positively.

• The DOE rightfully concludes on page 11 that at least two alternatives would have been cheaper than the project activity, but then only refers to the use of the tool for additionality, without providing any details of its assessment	The project participant provided validation team with data on cost of unit power for wind mill and thermal power plant from 'Maharashtra Energy Regulatory Commission [MERC] Order dated 24th November 2003' under case # 17(3),3,4 & 5 of 2002. MERC is an independent government commission formed under ERC Act 1998. The MERC Order is a publicly available document. The data in the above mentioned order clearly shows that the unit cost of power for windmill is higher than the unit cost of power for one other alternative viz. thermal power plant. The validation team accepted coal power plant as a feasible alternative for BAL wind power project since the power generated from the windmills is used by BAL for captive consumption. The actual average tariff paid by BAL for the power imported from the grid is also lower than the unit cost of power from windmills as indicated in the MERC order. In conclusion, cost of unit power for two alternatives is less than the cost of unit power from project activity. The validation team had discussed the use of step 2 for the investment analysis parameters. Project participant during the interviews had expressed that providing publicly available substantive data as required for sensitivity analysis under step 2d of the 'tool for demonstration and assessment of additionality' was not possible. Hence they had included the discussion on unit cost of power under step 3. Considering that the project participant used publicly available data from MERC to prove that the unit cost of power for windmill was higher than that for coal power plant and the power imported from the grid, the validation team accepted this approach.
• In chapter B.3.1 of the checklist the DOE only refers to step 4 and notes that the justification by the PP is not adequate. Nevertheless the DOE concludes that this is OK	It is true that under section B.3.1 [page 30], the validation report only refers to step 4 noting that the justification by PP is not adequate. However, we wish to submit that it further concludes that the PDD does not provide sufficient justification as to why the existence of similar activities does not contradict the claim that the project activity is additional. The report here refers to CAR3 which is documented on pages 52 to 54 of the validation report. The response of the project participant - also documented on these pages - conclusively indicates that considering the capacity of the project activity there were no 'similar' activities present at the time of making the decision on the project activity. The project participant revised the PDD accordingly at section 4b. The validation team was convinced about the other

	features of the project activity leading to additionality. It was not necessary to raise queries on other features. Hence, a CAR only at step 4b was raised. Based on this response to the CAR3, the validation report at section B.3.1 [page 30] concludes that the project is additional.