



Mr. R K Sethi
Chair, CDM Executive Board
UNFCCC Secretariat
CDMinfo@unfccc.int

December 16th 2008

Dear Mr. Sethi,

Re: Request for review for the request for issuance for CDM project activity " Electricity generation at 8 MW captive power plant using enthalpy of flue gases from blast furnace operations of Kalyani Steels Limited, in Karnataka state of India" (Ref. no. 0427)

SGS has been informed that the request for issuance for the CDM project activity "Electricity generation at 8 MW captive power plant using enthalpy of flue gases from blast furnace operations of Kalyani Steels Limited, in Karnataka state of India" (Ref. no. 0427) for the monitoring period 1st Jan 2007 to 31st December 2007 is under consideration for review because three requests for review have been received from members of the Board.

The requests for review are based on the same reasons outlined below and read. SGS would like to provide the initial response to the issue raised by the review team:

Request for clarification to the DOE/PP:

Request for Review Issues 1-3, Issue 1:

Which source it has used for verifying the furnace oil consumption by the project activity, for 13 days in the months of January - October 2007 for which data is missing in the plant log book, as specified in the verification report.

SGS' Response to Issue 1:

As mentioned in the verification report that; 'During the site visit mismatch was observed for Furnace Oil consumption between data provided in the excel sheet of monitoring report version 01 (/07/) & plant log book (/09/) data for following dates 21st Jan, 11th April, 26th June, 19th July, 10th Aug, 17th Sept, 15th Oct, 16th Oct, 17th Oct, 24th Oct and 13th Nov. 2007, while for 13th Jan, 18th Jan and 3rd July 2007 FO consumption data was found missing in the log book'. Hence it is clear that the data was missing only for 3 days and not for 13 days as commented. It was clarified in the verification report and excel sheet for emission reduction calculation submitted with request for issuance that, data mismatch because of rounding off decimal places was observed for dates 21st Jan, 11th April, 26th June, 19th July, 10th Aug, 17th Sept, 15th Oct, 16th Oct, 17th Oct, 24th Oct and 13th Nov. 2007 (total 11 days) and same was corrected conservatively. While for dates 13th Jan, 18th Jan and 3rd July 2007 (total 3 days) data was not mentioned in plant log book as on these dates there was a breakdown and the FO consumption was mentioned in breakdown maintenance record log book. PP provided relevant copies of the break down maintenance log book for these dates and FO consumption was verified and corrected in the monitoring report. The excel sheet submitted during the request for issuance contains this information under work book 'Backup_FO Consump'.

The verification report (Annex 1) was revised to reflect how DOE checked the information provided before closing CAR1.



Request for Review Issues 1-3, Issue 2:

How it has verified that the approach of ex-ante grid emission factor is in accordance with the PDD, as the monitoring plan requires yearly calculation of the grid emission factor, which has been confirmed in the validation report.

SGS' Response to Issue 2:

The registered PDD has calculated the baseline grid emission factor for southern regional grid as combined margin using the 3 years average data for Operating margin (i.e. for year 2001-02, 2002-03 and 2003-04) and recent year data (2003-04) for build margin available during the PDD validation. The PDD page 11 mentions "as required under ACM0004, the baseline emissions are calculated as per combined margin (CM) approach described under ACM0002, both in terms of relevant grid definitions and the emission factors. The simple operating margin (OM) in the baseline emissions is calculated using equation (1) described in ACM0002. The Simple OM method has been used since low-cost/must run resources constitute less than 50% of total grid generation in average of the five most recent years (2001-2005), as required under ACM0002. For calculating the simple OM, data vintage of 3-year average (based on the most recent publicly available statistics available at the time of PDD submission) has been used."

The then applicable methodology ACM0002 version5 page 6 clearly mentions that "The Simple OM emission factor can be calculated using either of the two following data vintages for years(s) y:
A 3-year average, based on the most recent statistics available at the time of PDD submission, or
The year in which project generation occurs, if EFOM,y is updated based on ex post monitoring."

Thus, this is clear that the approach to calculate EF in the registered PDD was to fix the same ex-ante. This is further verified from the registered PDD Annex 3 and also from section 3.4 page 15 of the validation report. But the regd. PDD section D.2.1.3 monitoring plan mentions that the parameters (parameter no. 7 to 12) related to grid emission factor (EFy) will be monitored 'Yearly' which is not inline with the rest of the PDD and validation report.

Thus FAR1 was raised and PP submitted revised Monitoring plan for UNFCCC approval which reflects that all the parameters (parameter no. 7 to 12) related to grid emission factor will not be monitored yearly since EF was fixed ex-ante during validation. PP has already submitted the revised monitoring plan to UNFCCC which is pending for the approval.

The next issuance request for this project activity will be submitted after the approval of the revised monitoring plan for the project activity. The verification report section 5 has already this information mentioned and section 3.9 and 6.0 in the verification report (Annex 1) was revised to reflect this information.

We feel that the request for review requested by board members has been taken into account. We do however apologize if this was not sufficiently clear from the earlier verification report.

Vikrant Badve (T: + 91 20 6628 7716) will be the contact person for the review process and is available to address questions from the Board during the consideration of the review in case the Executive Board wishes.

Yours sincerely

Sanjeev Kumar
Technical Reviewer
Sanjeev.kumar@sgs.com
T: +91 124 4313600
M: +91 98717 94628

Vikrant Badve
Lead Assessor
vikrant.badve@sgs.com
T: + 91 20 6628 7716
M: + 91 98603 65556

Enclosures:

1. Annex 1 – Revised verification report