

RESPONSE TO REQUESTS FOR REVIEW

BVQI had performed the validation of the CDM Project 0577 “The Godavari Sugar Mills Ltd (TGSML)’s 24 MW Bagasse Based Co-generation Power Project at Sameerwadi” by M/s. The Godavari Sugar Mills Ltd., The request for registration was made in August 2006 and was under review from 26/09/06 to 25/11/06. Subsequently, there have been 4 (four) requests for review.

We thank the CDM executive board and the secretariat for giving us the opportunity to clarify about our considerations in validating the said project.

We find the queries raised in all the four requests are identical and hereby present our responses to all these queries in common.

The project participants have provided to us their response. We observe that this response and the information therein are in line with the discussions we had with the project participants during the course of the validation. We therefore endorse the response given by the participants

Project Description

The 24 MW cogeneration project of TGSML consists of a double extraction cum condensing machine. The plant is designed to operate with boiler outlet steam parameters of 65 kg/cm² and 490±5°C using bagasse as a main fuel. The boiler is designed with a traveling grate and electric drive to burn bagasse. The inlet feed water is at 126°C. The cogeneration turbine is a double extraction cum condensing machine. A 130 tons per hour (TPH) nominal capacity boiler with the super heater outlet steam parameters of 65 kg/cm² and 490 ± 5°C and a high efficiency extraction cum condensing (EC) type of turbo-generator set of 24 MW nominal capacity has been implemented for higher power output. As per the requirements of sugar mill, the steam and power is supplied and surplus power is being exported to KPTCL (now HESCOM) after meeting cogeneration plant auxiliary requirements. The total captive power consumption for the sugar plant, colony and the auxiliary power consumption of the cogeneration unit works out to be 8 MW leaving about 24 MW + 1.5 MW (from existing backpressure turbine) – 8 MW (captive consumption) i.e. 17.5 MW of excess power export to KPTCL (now HESCOM) at 110 kV level for sale, during the crushing season of 8 months per annum.

We give below our response individually to each of the requests for review.

Please find following documents also with the responses -

1. Board resolution dated 17/02/2000.
2. Validation Report – Rev. 01 dated 08/12/2006
3. fcdmREG – Revised in line with Validation Report
4. CloD – Revised in line with Validation Report

Request for review no. 1:

Reasons and background for Request for Review	BVQI response
<p>The PDD does not provide strong evidences that the CDM was considered from project inception, although it states that “there is also sufficient evidence available in form of documentation clearly showing that the project promoter was well aware of carbon credits, and CDM incentive played a role in the decision taken by TGSML’s management in implementing the cogeneration plant. The documents have been produced to the validator on request”. However, these evidences are not attached, and the only evidence mentioned by the Validation Report is a “Board resolution dated 17/02/2000 referring to Mr. Samir Somaiya attending Seattle Conference of World Trade Organisation (WTO) in November – December 1999 and resolution stating ‘ benefits though CDM to be considered’ in implementation of bagasse based cogeneration power plant.”, which are also not attached. Since the project activity is requesting retroactive credits, strong evidences that CDM was considered from the beginning should be provided. Also, while the PDD defines a project starting date of May 2000, the validation report refers to a stakeholder consultation held in January 1999. Similarly, the EIA dates from 1998 and the loan sanction by IDBI from October 1999. Thus the project may not fulfil the CDM requirements of starting after January 2000.</p>	<p>The evidence mentioned in validation report “Board resolution dated 17/02/2000 referring to Mr. Samir Somaiya attending Seattle Conference of World Trade Organisation (WTO) in November – December 1999 and resolution stating ‘ benefits though CDM to be considered’ in implementation of bagasse based cogeneration power plant.” is now attached.</p> <p>Our responses for Starting date and CDM consideration are as follows</p> <p><u>A. Starting date :</u></p> <p>It is correct that PDD defines the starting date to be May 2000, which is construction start date.</p> <p>To support this, one more evidence is now provided by Project participant as an invitation from BSES, Project consultant for ‘Bhumi Pooja’ (earth breaking ceremony - worship of land on 23rd March 2000) before start of the actual construction work, which has cultural and religious significance in India, including Karnataka. (Refer Annex 11 of Response from Project Participant)</p> <p>As per Indian Environmental Legislation, Environmental Impact Assessment (EIA) is a prerequisite for many projects. It has to be necessarily conducted prior to actual start of the Project (construction) and EIA in India calls for process of ‘Public hearing’, which is nothing but a stake holder consultation process. Therefore these were conducted in 1998 and 1999 respectively as mentioned in validation report.</p> <p>As far as loan from IDBI is concerned, it is correct that the said loan was sanctioned in October 1999. However the title of the letter was ‘ In principle sanction’ (Refer Annex 5 of Response from Project Participant). In principle sanction does not mean final sanction and if circumstances call for, any bank may withdraw the original in principle sanction granted. Similarly, looking at the Project size and cost, it was only a part of total cost of the project. Other lending agencies – Andhra bank & State Bank sanctioned the loans only in May 2000 & April 2001 respectively.(Refer Annex 8 & Annex 9 of Response from Project Participant) With all this, Project Proponent awarded contract of equipment supply in February 2001. (Refer Annex 10 of Response from Project</p>

	<p>Participant)</p> <p><u>B. CDM Consideration</u></p> <p>There is evidence of Mr. Samir Somaiya attending the Seattle Conference of WTO in November – December 1999 followed by Board resolution for consideration of CDM in implementation of the project on 17 February 2000. (Refer Annex 1, 2& 3 of Response from Project Participant) Both these are before actual construction start of work in May 2000 and also arranging the entire funding like Term loan sanctions from Andhra Bank and State Bank of India in November 2000 and April 2001 respectively. Similarly the equipment supply contract was awarded in February 2001(Refer Annex 10 of Response from Project Participant)</p> <p>With all these, it can be concluded that ‘incentive from the CDM was seriously considered in the decision to proceed with the project activity.</p>
<p>In addition, the additionality argument is weak: by December, 2004 bagasse cogeneration capacity in India had reached 432.5 MW from 56 projects, most of which have not applied for CDM, showing that they are an economically attractive alternative and do not face prohibitive barriers. The project developers themselves state that they were the fourth bagasse cogeneration project in the state of Karnataka which supports this argument. In this context, the technological barrier is not credible. Similarly, the fact that consultancy contracts had to be awarded to set up the plant is common practice and cannot be seen as prohibitive barrier. The barrier with respect to the lacking financial health of the state electricity companies affects all electricity generators alike and cannot be seen as barrier specific to bagasse cogeneration.</p>	<p>Project proponent has obtained the data from Indian DNA for status of cogeneration projects in sugar mills in India w.r.t their application/registration for CDM.(Refer Annex 12 of Response from Project Participant followed by excel sheet). According to this data, it can be seen that projects worth capacity of 319 MW are already either registered or under process of registration. This data is updated upto May 2005 & there could be further more in pipeline after May 2005 till date. From this data it can be inferred that there are barriers, which are prohibitive for cogeneration projects in sugar mills in India.</p> <p>As per data obtained from state electricity company, it can be seen that that Project proponent’s Project is one of the worst hit among the other projects. The current outstanding of payment from KPTCL is about – 381 millions.</p> <p>Evidences of the same are also attached. Refer Annex 14 & 15 of Response from Project Participant)</p> <p>Delay in payment has been a chronic issue right from the time the project was commissioned and in spite of the same project started exports to the grid.</p> <p>On technological barrier front, it has been sufficiently demonstrated that Project has been unique in various aspects like Vacuum conveying type ash handling system,</p>



	<p>comprehensive bagasse handling system, dust extraction system etc and evidences are available to support these claims. These are attached with Response from Project Participant (Refer Annex 16 of Response from Project Participant). Because of the advanced and relatively new technology for the cogeneration plant, the operation and maintenance contract was awarded to M/s Desein Pvt Ltd.</p>
<p>The OM values for 2000-1 and 2002-3 are severely overestimated. The data published by CEA show an OM of 1010 and 990 g CO₂/kWh, respectively, so almost 20% less than the PDD. Moreover, the PDD does not explain why it uses 2000-1 instead of 2001-2 for the third year of the OM calculation.</p>	<p>The difference of OM values was mainly due to difference in 'Calorific value' considered by project proponent, which referred to IPCC values and CEA has its own data. It is also to be noted that, the subject project was submitted for 'Request for registration' in August 2006 and CEA data is published in October 2006 and which is also in draft document. However Project participant has now used the data from CEA only and accordingly revised all the calculations (Refer PDD – Version 3 dated 5/12/2006)</p> <p>With regard to considering the year 2000-01 instead of 2001-02, s now corrected and hence revised spreadsheets are also now attached with revised PDD – Version 3 dated 5/12/2006.</p> <p>Following three documents are also changed to that effect</p> <ol style="list-style-type: none">1. Validation Report – Revision 01 dated 08/12/20062. fcdmREG3. ClOD
<p>There is an error that requires attention in the calculation of project emissions. In section E.1 emissions from transportation activities are stated to be 8,310 tons annually. In section E.3 this figure is used for transportation emissions for the entire crediting period. If in fact the figure given is annual, then the total emission reduction for the crediting period should be corrected from 448,587 tons to 398,547 tons. For the sake of transparency, the details of the calculation of annual emissions from transportation should be added to Annex 3.</p>	<p>Emissions from transportation are for the total crediting period and not annually. It was a typographical mistake, which is now corrected and as requested the detail calculations are attached in Annex 3 of revised PDD – Version 3 dated 5/12/2006.</p> <p>Following three documents are also changed to that effect</p> <ol style="list-style-type: none">1. Validation Report – Revision 01 dated 08/12/20062. fcdmREG3. ClOD