



RESPONSE TO REQUESTS FOR REVIEW

Bureau Veritas Certification (formerly BVQI) had performed the validation of the CDM Project No. 1042 – "19.27 MW Grid connected wind electricity generation project by KPR Mills in Tamil Nadu". Subsequently, there have been three 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.

The request raised are identical and are reproduced below:

1. The choice of benchmark analysis to demonstrate additionality has not been justified. An investment comparison analysis may have been more appropriate considering that the barrier analysis appears to be simply a discussion of the costs faced by the project activity compared to its alternatives".
2. The project participant notes that the Technology Upgradation Fund Scheme (TUFS) was available for captive power plants. Was the TUFS available for captive wind power? If so, was this a possible alternative?

We wish to clarify our stand for each of these issues as given below:

Reasons for Request for Review	Bureau Veritas Certification's response
<p>1.The choice of benchmark analysis to demonstrate additionality has not been justified. An investment comparison analysis may have been more appropriate considering that the barrier analysis appears to be simply a discussion of the costs faced by the project activity compared to its alternatives".</p>	<p>We have agreed to the choice of benchmark analysis based on the options provided in the Additionality tool (Investment comparison Analysis or Bench Mark Analysis) due to availability of the guidelines provided by the Central Electricity Regulatory Commission (post-tax ROE 16%), which is applicable to all Independent Power Producers of India. We submit that this benchmark value is provided by the Indian Authority and is publicly available. Though we agree that investment comparison analysis may have been more appropriate, we submit that relying on the calculations done by project participant for the IRR of project activity alternatives would have been subjective compared to an external benchmark such as the CERC data. Further, it may be noted that the power generated by the wind mills are transmitted to the group companies located in different parts of the state using the state electricity grid.</p> <p>Also the available information clearly indicated that thermal and other fuel based captive power plants involve lower capital and generation costs, but have much higher PLF. Besides, the availability of TUFS (only for thermal and other fuel based captive power plants) during the time of commissioning of the project, avoidance of transmission and distribution costs for in-house plants were virtual indicators of the attractiveness of investment in such carbon intensive plants. This clearly indicated that the project activity</p>

	<p>would not be the one most attractive.</p> <p>We therefore accepted selection of 'benchmark analysis' approach as a more realistic option compared to investment comparison</p>
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<p>2.The project participant notes that the Technology Upgradation Fund Scheme (TUFS) was available for captive power plants. Was the TUFS available for captive wind power? If so, was this a possible alternative?</p>	<p>During the validation process, we have analysed and verified the criteria of consideration of CDM prior to the implementation of the project activity. As explained in the PDD, the decision for implementation of the project activity was taken in 2001 & 2003. TUFS was not applicable to windmill when decisions were taken. From the evidences provided it was inferred that the decision on implementation of the project was based on consideration of CDM benefits only. However, the project proponent availed the benefit under TUFS, after its implementation in 2004. This fact was not revealed to us during the validation process.</p> <p>However, as seen from the modified investment analysis provided along with this response, the IRR still falls below the benchmark figure provided by the CERC.</p>
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The project proponent along with their response has provided all the necessary evidences including the revised IRR calculations. We have verified all the evidences and confirm that they are reliable and in accordance with the requirements.

We hope that the explanation provided above is satisfactory and request you to kindly register the project.