

RESPONSE TO REQUESTS FOR REVIEW:

BUREAU VERITAS had performed the validation of the CDM Project 1112 “SSML – Simbhaoli Biomass Power Project ” in India. The request for registration was made on **04th May 2007**. Subsequently, there have been three requests for review.

We find that the three identical requests made against the following requirements derived from paragraph 37 of the CDM modalities and procedures, viz.

- i) The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 of the CDM modalities and procedures.
- ii) The baseline and monitoring methodologies complying with the requirements pertaining to methodologies previously approved by the Executive Board.

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

Request for review no. 1, 2 & 3:

Reasons and background for Request for Review	BUREAU VERITAS response
<p>The validation report should state whether the DOE has validated that the sensitivity analysis has been conducted appropriately. The DOE should also explain the results of the analysis in the validation report.</p>	<p>The validation of the said project had been conducted as per the laid down procedures of BUREAU Veritas accreditation manual.</p> <p>It is submitted that DOE has evaluated and validated the IRR and sensitivity analysis. DOE has considered working of sugar mills and the parameters affecting the financials. Following critical and practical assumptions are discussed for sensitivity analyses that affect IRR.</p> <p>1- Change in power tariff Result of the sensitivity analysis indicates that even if the power tariff is assumed to escalate (after the term of 4 years of current PPA) at a rate indicated in Power Purchase Agreement, the IRR increases but still remains under the benchmark. There is only a marginal increase in IRR from 10.04% to 10.54% considering the escalation. (Refer Simbhaoli_Financials_130807Fin, sheet Sens.1 PPA)</p> <p>2- Change in PLF: DOE has also evaluated sensitivity on PLF at a value of -10% from indicated PLF (90%) and at a maximum PLF (93%) achieved so far. IRR at 80% PLF is 7.19% and at 93% the PLF is 10.86%. DOE has validated the maximum value of PLF as 93% based on the evaluation of previous trends of utilization.</p>

	<p>DOE confirms that at 100% PLF the IRR increases to 12.75% but achievement of 100% PLF is not considered practical and hence the same is not considered.</p> <p>It is clear that considering this critical assumption, IRR is lower than benchmark. (Refer revised Validation report no INDIA-val/76.49/2007 Rev02. dated 06.08.2007- Section 3.3. Monitoring Plan, page18 and Section5, Validation opinion, page 22 and excel sheet Calculations of Financials, (Refer Simbhaoli_Financials_130807Fin, sheet Sens.2 PLF 80%, sheet Sens.2 PLF 93%, sheet Sens.3 PLF 100% & Simbhaoli_Financials_130807Fin sheet Sum.Sens.)</p> <p>3- Change in Bagasse price: Sensitivity for change in Bagasse price was not considered due to following reasons: 1-Bagasse generated, as residue from the cane crushing process has no significant opportunity cost in the region. 2- Organisation has not considered the bagasse procurement from outside and all bagasse generated is used internally in cogeneration.</p> <p>Accordingly IRR calculations of the organisation does not include bagasse price (as critical) and hence the same has not been considered for sensitivity analysis too.</p> <p>Considering these critical assumptions DOE is of the opinion that sensitivity of the project demonstrates the robustness of the financial analysis indicated through IRR and endorses that project activity is unattractive financial investment. Appropriate changes have been made in the relevant sections of the Validation Report.</p>
--	---

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