RESPONSE TO REQUESTS FOR REVIEW

Bureau Veritas Certification had performed the validation of the CDM Project No. 1131 – "4.5 MW Wind Power Project in Kadavakallu, Andhra Pradesh".

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.

Two requests raised are identical and are reproduced below:

1. Further justification is required of the use of the 2006 tariff in the investment analysis as the investment decision was taken in 2004/2005.

The third request had the above along with the one reproduced below:

2. The PP/DOE shall provide information in transparent manner, on the application of the combined margin and its applications

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

Reasons for Request for Review	Bureau Veritas Certification's response
1. Further justification is required of the use of the 2006 tariff in the investment analysis as the investment decision was taken in 2004/2005.	The decision for considering 2006 tariff is based on the following: The PP had requested APTRANSCO for entering into a PPA during the conceptualisation stage in 2004/2005, and no response was received by the PP for almost one and half years inspite of several communications with APTRANSCO and their successor APCPDCL for entering into a PPA. (Please refer evidence 1). The validation team could access the various correspondences with the APTRANSCO / APCPDCL in this regard and no decision on tariff was available to the M/s Hyderabad Chemicals Ltd., the Project Proponent (PP) even after commissioning. The PDD also discusses about these in Section B 5 page 11 & 12. During the validation, it was also verified that the PP was exporting power to the Southern Grid without a PPA in place and there was no revenue generated from the power exported. Though the investment decision was taken in 2004/2005, the prevailing conditions were not conducive for the maximum tariff [Rs. 3.37], which is only a guideline, fixed by APTRANSCO and not a guarantee. The neighbouring states (Tamil Nadu) had a lower tariff of around Rs. 2.7

	(refer URL http://tnerc.tn.nic.in/orders/nces%20order%20-approved%20order%20host%20copy.pdf We observed that the PPA signed by the PP with APTRANSCO is also at Rs. 2.7. (Please refer Annex 1A & 1B – Two PPAs at Rs 2.70 per unit sale of power which was signed on 09/06/2006) Incidentally on 06/06/2006 there was also a news item in the Hyderabad edition of Business Standard (a news paper) that one of the leading Wind Energy generator suppliers M/s Enercon India Limited is dismantling 23 wind mills set up a cost of Rs 110 Crores in Kurnool district of Andhra Pradesh because the reasons sited above. (Please refer Annex 2). It is our submission that these were the reasons based on which the investment analysis based on 2006 tariffs but matching with 2004/2005 tariff in neighbouring state of Tamil Nadu was accepted by the validation team.
2. The PP/DOE shall provide information in transparent manner, on the application of the combined margin and its calculations	During the validation process the validation team verified the application and calculation of combined margin. The emission factor as per the CO_2 baseline database published by Central Electricity Authority (CEA) Ver 1.1 December 2006 had been considered. Refer Annex 3. It may be noted that the project was submitted for registration in May 2007, and the above database was the latest version available at that time. More over it may also be noted that the weights for combined margin is considered on a 50:50 ratio for operating and build margins even though ACM 0002 permits 75:25 ratio for wind parks. It may be noted that the EF 0.86 based on 50:50 ratio is less than 0.93 based on 75:25 ratio. The validation team is of the opinion, that the calculations are transparent and conservative.

The project proponent along with their response has provided all the necessary evidences. 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.