



RESPONSE TO REQUESTS FOR REVIEW

Bureau Veritas Certification had performed the validation of the CDM Project No. 1331 – "Fuel Free Electricity to Grid".

Subsequently, three requests for review, which are identical and reproduced below, were raised by EB in their meeting no 36.

We thank the CDM Executive Board and the Secretariat for giving us the opportunity to clarify about our considerations in validating the said project.

Our response to the requests for review are provided below:

Response of Bureau Veritas Certification

- 1. The detailed IRR calculations should be provided, and the DOE must clearly indicate what steps have been taken to validate the accuracy of these calculations including the assumptions and input values.**

Response:

The IRR calculations provided by Project Participant are attached herewith. Bureau Veritas Certification engaged a qualified Chartered Accountant to check the IRR calculations for soundness. **Please refer Annexure 1 – IRR Calculations**

The validation team assessed the validity of the assumptions as follows:

1. Capital costs through Purchase orders for all the WTGs,
2. Tariff from PPA agreements,
3. Life time of the WTGs based on the certificate from the WTG supplier,
4. O & M costs as per the contract between PP and the O & M Contractor
5. Bank loan documents for interest rate
6. Insurance documents for insurance premia

The generation taken at 80% of guaranteed generation is based on the TNERC (Tamil Nadu Electricity Regulatory Commission) discussion paper. According to this paper the grid availability as 92%, machine availability as 95 %, array efficiency as 95 % and 2 % internal losses were the basis for capacity utilization factor. Please refer **Annexure 2 – pp 14 – TNERC discussion paper.**

The validation team hereby confirms that it has verified these documents and found the assumptions to be in order.

- 2. The DOE is also requested to provide details regarding how the benchmark has been validated.**

Response:

The project implementation started in 2003. Then prevailing guidelines specified by CERC (Central Electricity Regulatory Commission) for return on equity was 16%. Please refer **Annexure 3a & 3b – CERC Annual report 2000-01 & CERC press release 2004.**



For project IRR, there are no guidelines for arriving at a benchmark. Hence Project Participant considered weighted average required rate of return as the benchmark. Refer worksheet 'Summary' in the IRR spreadsheet in Annexure 1

There are a total of 13 different project proponents. From Summary sheet, it is evident that the least 'required rate of return' [row no. 14] among these is 10.38% [Cell I-14]. The maximum IRR without CDM among these is 10.32% [Cell I-12]. It is clear that the maximum IRR is less than the least of the Required Rate of Return. Further, the least of the required rate of return is less than the CERC guideline of 16%.

Hence, the validation team accepted the benchmark. As stated in response to query no. 1 above, the validation of individual required rate of return was performed in the same manner.

3. Further information should be provided regarding the prior consideration of the CDM and how it has been possible for the project participant to operate the project activity for almost 5 years prior to it being submitted for registration as a CDM project.

Response:

The Validation team had accessed the board resolution for CDM consideration by the PP during the site visit and this was also referred to in page 12 of the validation report sent for registration. The board meeting was held on August 30, 2002 prior to the start date of the project activity. This board resolution also indicates that similar wind energy projects may be explored for Khivraj Group and sister concerns/ Affiliates for implementation under Clean Development Mechanism. Hence the validation team considered this as valid CDM consideration for the project activity which involves such sister concerns and affiliates in addition to Khivraj Motors. Please refer **Annexure 4** – Minutes of Board meeting.

The query by CDM EB regarding Project Participant operating the plant for 5 years without CDM revenue amounts to verifying and certifying the actual financial performance of the Project Participants.

The validation team humbly submits that this is beyond the scope and capability of the DOE and hence was not attempted by the validation team. CDM EB is hereby requested to refer response of the Project Participant in this regard.

We request the early registration of the project.

For Bureau Veritas Certification Holding S.A.S

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