



RESPONSE TO REQUESTS FOR REVIEW

Bureau Veritas Certification has performed a validation of the “15 MW Wind Energy Project in Maharashtra (hereafter called “the project”) located in Nandurbar Taluka, Nandurbar District & Sakri Taluka, Dhulia District, Maharashtra, India. The request for registration was made in April 2008 (Reference number: 1778) and was under review from 24/07/2008 to 22/08/2008. Subsequently, there have been 3 (three) requests for review, which were received on 19/08/2008. Since all the requests are identical, we are providing common responses to the issues that have been raised.

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 review points have referred to various annexes which are attached by Project Participant along-with their response. These are not separately attached with our response again.

Question 1

The DOE should explain how it has validated that the sensitivity analysis is sufficient to prove that the project activity cannot be feasible without CDM benefits, including the assumption that a 10% increase in electricity generation is unlikely based on the performance of a similar project, following paragraph 17, EB41, Annex 45.

Response

For the sensitivity analysis, parameter of generation of electricity has been considered with variations like increase and decrease of various percentages ranging from 2.5 upto 10%.

It may be noted that generation is the only factor, which is likely to affect the IRR because of variation. The capital cost is taken from the purchase orders and is not expected to change. The tariff considered is also the prevailing rate in the state and is verified through the power purchase agreement and is noted that it is fixed for thirteen years. In the absence of clear-cut guidelines on the tariff for the further period, the project participant considered the value as at the thirteenth year. All other parameters are either one-time expenses which constitute capital cost (Cost of WTG, Land etc.) and/or fixed for a certain period like O&M expenses. Costs towards insurance amount to recurring costs but do not contribute 20% of project cost or revenues from project.

Project participant has provided generation data from Wind power for Maharashtra for 2004-2005 and year 2005-06. This data is from publicly available source published by nodal agency Maharashtra Energy Development Agency (MEDA) for renewable energy projects in Maharashtra. As seen from this data, PLF attained during 2004-2005 is 19% which is the highest in Maharashtra over the years 2004-2008, which represents that even at 10% increase, the generation has not even reached the level of guaranteed generation, which is equivalent to PLF of 21.92% considered. As presented in PDD and validation report, project participant also had the data from their own investments in Maharashtra (Satara district) and Rajasthan. These investments/installations are before the project activity. The validation team has verified the actual generation data of these installations and it is noticed that there is no instance wherein the actual generation has crossed the guaranteed generation. Hence DOE has accepted and validated sensitivity analysis with increase/decrease in electricity generation only. DOE therefore wishes to confirm that IRR working is in line with paragraph 15 of Guidance on the Assessment of Investment Analysis, (Version 02)



It is also to be noted that for IRR, guaranteed generation has been directly considered as it is without deductions like transmission & wheeling losses etc. As it is known, the revenue from exported energy does not depend on amount of energy generated but on exported energy, which actually is gross generation minus all losses. The losses are not taken in to consideration for IRR for conservativeness.

DOE has validated all the data related to IRR as well as supporting data for assumptions used for calculating IRR. Hence DOE is of the opinion that even though at 10% higher generation than guaranteed, IRR just crosses the benchmark of 14.8, it is not a likely scenario. The validation team observes that the IRR equals the benchmark at 9.9% increase of PLF and just crosses the benchmark and takes the value 14.82 at 10% increase in PLF. However, for the reasons stated above, the validation team is of the opinion that 10% increase in PLF is not likely.

Considering the data used for assumptions in IRR, it can be concluded that the project activity cannot be feasible without CDM benefits, including the assumption that a 10% increase in electricity generation which is unlikely case.

DOE also would like to confirm that Project IRR presented by project participant is in line with paragraph 9 of Guidance on the Assessment of Investment Analysis, (Version 02)

Question 2

The PP/DOE are requested to further explain the prevailing practice barrier, i.e. provide information on the number of wind projects, which represent the 4.39% wind capacity.

Response

Project participant has presented the data of wind energy installations in Maharashtra for two previous consecutive years (2003-04 and 2004-05) before the project conceptualization. This data is also publicly available (TERI Energy Data Directory & Yearbook, 2004-05; Page- 201; Wind power cumulative installed capacity (MW): 2004 and 2005) and as it can be seen during these two years penetration of wind energy in Maharashtra was only to the tune of 4.39% of total wind power installations in India. For data related to Maharashtra only, as year to year comparison, growth in installations is 2% & 12% in years 2003-04 and 2004-05 respectively which is less compared to other similar wind power potential states in Tamilnadu and Karnataka.

Project participant has presented this data to argue common practice analysis for demonstration of additionality. However in PDD and validation report this has been wrongly presented under the title of prevailing practice barrier.

The validation team however accepts that this does not prove that the project activity was among the first of its kind and therefore the discussions do not prove that the barrier was prohibitive.

With the permission of EB, the validation team will amend the validation report and also ask the project participant to amend the PDD accordingly.

Question 3

The DOE is requested to provide reliable evidence that CDM was considered prior to the project start date and that continuing and real actions were taken to secure CDM status for the project activity in parallel with its Implementation, following the guidelines from paragraph 5, EB 41, Annex 46.

Response

There is reliable evidence available in the form of communication with EPC contractor – M/s. Suzlon Energy for revenue from CDM for making investment decision. This was presented during validation and same has been presented in both PDD and validation report.



It is to be noted that Project proponent had already invested in two more such wind power projects – One each in Maharashtra (2000) & Rajasthan (2003) states of India. Both these projects have also been proposed as CDM Projects and under validation. So it is evident that project participant was aware about CDM modalities and feasibility of the project based on CDM revenue.

Project participant has also presented the detail chronology of various events from start date till the date of request for validation made to DOE. Various actions indicate that real actions were taken to secure CDM status in parallel with project implementation. The chronology of events along with evidences is presented in the response from project participant. In addition to the evidences listed in the chronology of events in the response by the project participant, the validation team also accessed the various email correspondences in between the project participant and the CDM consultants.

DOE has validated all the evidences of CDM consideration and various actions to secure CDM status in parallel with project implementation & hence DOE is of the opinion that CDM consideration is in line with paragraph 5, EB 41, Annex 46.

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.

We hope that the clarification provided above are satisfactory and request you to register the project as CDM project activity.