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Att: CDM Executive Board

Your ref.:
CDM Ref 0298

Our ref.:
MLEH/KCHA

Date:
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**Response to request for review
“4.5 MW Biomass (Low Density Crop Residues) based Power Generation Unit of Malavalli
Power Plant Ltd.” (0298)**

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV's request for issuance of CERs for the “4.5 MW Biomass (Low Density Crop Residues) based Power Generation Unit of Malavalli Power Plant Ltd.” (0298) and would like to provide an initial response to these requests for review.

The requests for review are based on the following two comments

Comment 1:

There are contradictory statements by the DOE in the Verification/Certification Report that need to be clarified. This is mainly because of the initial verification (Aug. 2006), where two FARs were raised. These FARs were responded by the project participants, but it is not clear that the previous observations were totally solved.

Page 3 of the V/C Report, in Section 3 (“Verification Findings”) states that: i) “the verification is not able to obtain sufficient evidence for the reported emission reductions...”; and ii) “the verification has identified material misstatements in the reported emission reductions...” It is not clear if these observations are related with the FAR and how, and if observations with respect to this were lifted.

As the emission factor of the grid is determined *ex ante* in the PDD, the monitoring parameters associated with the calculation of emission reductions are as follows: - Net electricity supplied to the grid (key variable). The DOE noticed that the electricity generated was used for calculation and requested for modification to use electricity supplied to the grid, instead. The sales record was checked to confirm the monitored results of the sold amount of electricity to the grid. - Biomass transportation fuel consumption (minor variable for leakage). The DOE verified the values of both variables as well as possible fossil fuel consumption (confirmed that coal was not used at all).

Comment 2:

The Meth Expert recommends that a critical analysis of the gap between *ex ante* estimated CER detailed in the PDD, and the actual CER claimed in the monitoring report, should be provided in the monitoring report by the project participants. Such analysis should also be provided in the verification report by the verifying DOE.

DNV response to comment 1:

DNV wishes to bring to your attention that the statements made under section 3 (as stated in comment 1) are generic in nature, intended to indicate the how and under what conditions findings would be raised during the verification. This intent is quoted below for ready reference:

Findings established during the verification may be that:

- i) the verification is not able to obtain sufficient evidence for the reported emission reductions or part of the reported emission reductions. In this case these emission reductions shall not be verified and certified;*
- ii) the verification has identified material misstatements in the reported emission reductions. Emission reductions with material misstatements shall be discounted based on the verifier's ex-post determination of the achieved emission reductions.*

A Forward Action Requests (FAR) may be issued, where:

- the actual project monitoring and reporting practices requires attention and /or adjustment for the next consecutive verification period, or*
- an adjustment of the MP is recommended.*

In the context of FARs, risks may be identified, which may endanger the delivery of CERs in the future, i.e. by deviations from good reporting or management procedures. As a consequence, such aspects should receive a special focus during the next verification

DNV confirms that the aforementioned statements are general statements indicating possible outcomes of the verification process and not related to the project activity as such.

Based on the above, the initial verification did indeed lead to two FAR's being raised, which has been duly addressed, responded to by MPPL and closed out by DNV as indicated in the verification report. (Please refer to pages 4, 5 and 6 of the verification report)

DNV response to comment 2:

The difference between ex-ante estimated CER volumes in the PDD and CER volumes claimed in the Monitoring Report (MR) can be observed in the table below:

Operating years (April to March)	Net Electricity Exported to the grid		Baseline Emissions		Leakage (transportation of biomass)		total CERs	
	[GWh]	[GWh]	[tCO ₂ e]	[tCO ₂ e]	[tCO ₂ e]	[tCO ₂ e]	[tCO ₂ e]	[tCO ₂ e]
	MR	PDD	MR	PDD	MR	PDD	MR	PDD
2001-2002 (from Aug 2001)	13.144	15.040	10'067	11'519	61	343	10'006	11'176
2002-2003	21.845	25.040	16'731	19'178	368	515	16'363	18'663
2003-2004	26.482	29.900	20'282	22'900	680	515	19'603	22'385
2004-2005	18.938	21.990	14'504	16'842	497	388	14'007	16'454
2005-2006	18.223	30.337	13'957	23'235	466	388	13'491	22'847
2006-2007	5.229	7.584	4'005	5'808	180	97	3'825	22'847
Total	103.861	129.891	79'547	99'482	2'252	2246	77'294	97'237

From the above, the differences between expected PDD values and monitored values are due to the following reasons:

- As indicated in FAR 1 of the verification report, it was observed that the gross energy generated had been used for the forecasting of CERs in the PDD (and not the net energy exported as indicated in the registered PDD). This has led to a higher quantum of CER's to be estimated in the PDD, while the monitoring and verification reports consider the net exports to the grid only, which is in accordance with AMS-I.D and the monitoring plan of the registered PDD.
- In the year 2006-2006, the PDD estimate of CERs of 22 847 tCO₂e is an estimate considering 12 months of the year, while in the monitoring report, the actual verified emission reductions have been only up to June 2006. Moreover, MPPL's provided an explanation for the fact that actual generation was much lower than expected due to high rainfall & thereby high moisture content in primary fuel (low density Crop residues) which resulted in low/poor quality steam generation and thereby low level of electricity generation.
- The minor variations in the transportation emission between the PDD and the monitoring report is due to:
 - Assumptions in the PDD being based on approximations rather than precise computations. DNV confirms that the reported emissions in the monitoring report are based on records that have been verified at site.
 - PDD assumptions did not factor in adequately the impact of higher moisture content in primary fuel (low density crop residues) and consequently lower GCV of fuel & higher levels of procurement.

The variation of minus 21% CERs claimed in the Monitoring Report (77 294 CERs) compared to the ex-ante estimation in the PDD (97 237 CERs) is caused by the sum of all above mentioned factors.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION LTD



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