

K. Krishan
Chairman



MPPL/UNFCCC/1819/2006-07

January 27th, 2007

UNFCCC Secretariat
Martin-Luther-King-Strasse 8
D-53153 Bonn
Germany

Attn: CDM Executive Board

Your Ref.: CDM0298

Subject: Response to issuance 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 77,294 CERs from the project activity “4.5 MW Biomass (Low Density Crop Residues) based Power Generation Unit of Malavalli Power Plant Ltd.” (0298) dated January 10th 2007 and would like to provide an initial response.

According to our understanding all three requests for review seek clarification for following two issues related to the Verification Report:

1) *Contradictory statements concerning Section 3 of the Verification Report (“Verification Findings”) and FARs raised during the verification process*

It is not clear whether statements under Section 3 are related with the FARs and whether all observations under Section 3 have been lifted.

Response:

Section 3 (page 3) of the Verification Report says:

”Findings established during the verification may be that:

- i) the verification is not able to obtain sufficient evidence for the reported emission reductions.
[...]
- ii) the verification has identified material misstatements in the reported emission reductions.
[...]

These statements are general statements indicating possible outcomes of the verification process. These statements are not related to the project activity and were in the Verification Report by mistake.

In August 2006 when the initial verification process started, two FARs have been placed. Both FARs have been solved and formally concluded as stated in page 4, 5 and 6 of the Verification

MALAVALLI POWER PLANT LTD.

No. 29, Hospital Road, ‘Maliks Building’ 1st Floor, Bangalore 560 001, India
Phone : 91 - 80 - 22862523 Fax : 91- 80 - 22862524 E-Mail : krishan@mpppl.com



Report (please refer to Annex 1 to this letter for detailed information on the FARs and how they have been solved).

2) ***Discrepancy between ex-ante estimated CER volume in the PDD and the actual CER volume claimed in the Monitoring Report***

A critical analysis of this gap is missing in both the Monitoring Report and in the Verification Report.

Response:

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 below¹ :

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 (Upto June 2006)	5.229	7.584	4'005	5'808	180	97	3'825	5'712
Total	103.861	129.891	79'547	99'482	2'252	2246	77'294	97'237

Note: Please notice that for year 2001-07 all PDD values have been divided by four since the monitoring report accounts only one fourth of this particular period (every monitored year starts in April and ends in March according to the financial year of the project).

Differences between expected PDD values and monitored values are explained by following facts:

- a) As indicated in one of the FARs, CER calculations were initially done using the wrong monitoring parameter (generated electricity instead of exported electricity). This applies also to the PDD values, which explains why the net electricity export figures, and subsequently the baseline emission values, are always slightly higher in the PDD than in the Monitoring Reports.
- b) In the year 2005-2006 electricity export figures were 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.
- c) The variation in leakage emissions is negligible in a cumulative sense. The year wise variations are due to the following factors



- (i) PDD assumptions were based on approximations rather than precise computations, which were adopted during verification. The transport emissions were less than 3% of overall emissions and could have been neglected. However, to be conservative we decided to account for these.
- (ii) 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.

Annex 1

Detailed information on the FARs raised during the verification process

During the initial verification process carried out in August following Forward Action Requests (FARs) have been raised:

FAR 1:

“It is observed that the gross energy generated has been used for the calculation of the CERs and not the net energy exported.”

FAR 2:

“The estimation of the transportation emissions are not clear.”

As stated in page 4 of the Verification Report, both FARs have been formally concluded, which is also explained in detail in Page 5 and 6:

Quote:

“For the monitoring period, it was observed that the gross energy generated was being used to estimate the CERs and not the net energy exported. A FAR was raised in this regard and consequently the project proponent revised the monitoring report to include only the net generation of power exported after deducting auxiliary consumptions for each month. Monthly bills provided by KPTCL indicate data with respect to gross generation and auxiliary consumptions and the same has been verified by DNV. A FAR was also raised on lack of clarity on the estimations of the transportation emissions. MPPL subsequently forwarded details with respect to type of biomass procured, average distances traversed from the source of biomass supply, month-wise consumption quantities and corresponding diesel consumption data. The data provided have been verified which has also warranted a revision to the monitoring report.”

Thanking you.

With regards

(K. Krishan)