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Att: CDM Executive Board

Your ref.:	Our ref.:	Date:
CDM Ref 1064	MLEH/ETEL	29 June 2007

Response to request for review
Metrogas Watt's Alimentos Package Cogeneration Project (1064)

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV's request for registration of the project activity entitled "Metrogas Watt's Alimentos Package Cogeneration Project" (1064) and would like to provide the following initial response to the issues raised by the requests for review:

Comment :

"The DOE has validated that the project activity satisfies the prompt start criteria. However, in its assessment of the institutional barrier additionality test 2A, the DOE has concluded in its validation report that, "DNV could not validate this barrier and the test proved to be inconclusive". Therefore further evidence is required to determine whether the project activity is additional. AM0014 v2 requires, in the case of third party ownership, that the first three additionality tests result in the project activity being assessed as additional. However, the DOE has not validated that the project activity passes the institutional barrier additionality test 2A, and therefore additionality has not been assessed in accordance with AM0014 v2."

DNV Response:

We reiterate that during the validation DNV assessed relevant documentation for assessing the additionality of the project activity.

As per methodology, AM0014 version 02, of the four additionality tests the first two are applicable to any co-generation ownership scenario. The third test is specific to "package cogeneration" projects which is applicable to the project activity. Thus for the project the first three tests needs to be applied in order to assess the additionality of the project. The tests applicable to the project, in line with the requirement of the methodology, are additionality test 1, additionality test 2A and additionality test 2B.

Additionality test 1:

The project is assessed in line with the logic diagram presented in the form of a flowchart in the methodology.

As mentioned in section 3.4 of the final validation report it is demonstrated that the project faces significant technological barrier. There are only 2 other co-generation plants in Chile and one of them is a grid connected power plant which supplies power to the regional grid. It is thus concluded that the project passes the additionality test 1

Additionality test 2A:

It is adequately demonstrated that the project does not receive any preferential benefit as there are no preferential tariff structure in Chile. Unlike Chile many other countries do have tariff structure for fiscal benefit of co-generation plants as co-generation units constitute a significant part of the total power output of the country which is not the case in Chile.

As the burden of maximum demand charges is borne by the buyer of cogenerated power it is concluded that the test proves inconclusive.

As per the applied methodology "*if institutional barriers are not present, but there are no specific incentives to cogeneration, then the test indicated is inconclusive with respect to institutional barrier A. Other barriers (such as technological barrier of institutional barrier B) will need to be considered to determine additionality."* In the project it is demonstrated that the project does not receive any specific incentive and the institutional barrier test proves inconclusive thus the projects' additionality needs to be assessed with respect to institutional barrier B or technological barrier.

Thus the methodology provides for assessment of the project additionality with respect to the outcome of the test as described under institutional barrier test 2B.

Additionality test 2B:

It has been assessed and presented in the final validation report that the project is the only one of its kind in the southern part of Chile. The prevalent practice in the region is to source power from the regional grid and generates thermal energy from inhouse fossil fuel based generation systems. Thus it is demonstrated that the project faces significant barrier with respect to organisational capacity and lacks experience in this field of co-generation system.

The outcomes of the additionality tests as provided in the methodology can be summarised as below.

Addionality tests as per AM0014	DNV's conclusion	Assessment of additionality for project
Test 1	Project faces significant technological barrier	Passes test 1, but conclusion can only be made after assessment of all 3 tests.
Test 2A	DNV could not validate this barrier but it is confirmed that the project does not receive any incentive for co-generation	Test inconclusive. Project additionality needs to be assessed based on outcome of tests 1 and 2B
Test 2B	Project faces significant barrier with respect to organisational capacity and experience in field of co-generation	Passes test 2B. Project is additional as it faces significant technological and organisational capacity related barriers.

Thus the assessment of project additionality is in line with the requirements of the methodology.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully
for DET NORSKE VERITAS CERTIFICATION AS

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