

甘肃西兴能源投资有限公司

Project Participants

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Response to the request for review for the CDM project activity

---Sandaowan Hydropower Project in Gansu Province, P.R. China”, (1264)

Dear Mr. or Mrs.:

With regard to the review of our project “Sandaowan Hydropower Project in Gansu Province, P.R. China” (1264), raised by the Executive Board, we would be grateful for you to forward our answers and clarifications as following:

1. Further information is required to show how the investment analysis has been validated.

Answer: Please refer to the answer provided by DNV.

2. Further substantiation of the common practice analysis should also be provided e.g., what other differences exist between the project activity and the existing projects and what is the total hydro capacity in Gansu Province.

Answer: Please refer to the following table for the differences between this project and the other four similar projects.

Project Name	Feed-in Tariff (yuan/kWh)	Annual Operating Hours (Hours/year)
Sandaowan Project (this project)	0.227	3574
Longshou II Project	0.262	3850
Xiaoxia Project	0.293	4156
Caijiaxia Project	0.227	5116
Qilinsi Project	0.227	4017

It can be seen that the feed-in tariffs of Longshou II Project and Xiaoxia Project are about 16% and 29% higher than that of this project respectively; and their annual operating hours are also higher than that of this project. As for the Caijiaxia Project and Qilinsi Project, their feed-in tariffs are the same as that of this project; however, their annual operating hours are about 43% and 12% than the annual operating hours of this project.

It can be seen obviously that the other four projects enjoy either substantial higher feed-in tariffs or better water resources and thus there are essential differences between this project and the other four similar projects. Therefore, this project is not a common practice.

In 2005, the installed capacity of hydro power projects in Gansu Province was 4036MW, that of fossil fuel-fired power projects was 5715MW, and that of wind power projects was 109MW, about 41%, 58% and 1% respectively. In terms of electricity generation, the total electricity generated by hydro power projects in Gansu Province in 2005 was 16737GWh, that by fossil fuel-fired power plants was 33106GWh, and that of wind power projects was 439GWh, about 33%, 66% and 1%.

3. The monitoring plan should clearly outline the monitoring of the net electricity generated by each of the three hydro plants, and the number and location of meters.

Answer: This should be a misunderstanding. This project is composed of three hydro power units (2×45MW + 1×22 MW) and all of the electricity generated by this project will be delivered to Northwest Power Grid through Heihe Electric Substation. The total amount of electricity delivered to Northwest Power Grid by this project will be monitored with one electricity meter (with a back-up meter) installed at the exit of Heihe Electric Substation. The emission reductions of this project will be calculated with the total amount of electricity delivered by this project to Northwest Power Grid. Electricity generation from the three units will not be monitored as part of the monitoring plan.

4. The start date of the project activity should be revised in the PDD to the earliest of the dates at which the implementation or construction or real action of the project activity began.

Answer: The start date of this project has already been revised to the construction date.

We appreciate the opportunity for providing the above clarification.

Yours sincerely,

Yan Zhentang

Chairman of the board of directors, General Manager

For Gansu Xixing Energy Investment Co.,Ltd.

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned below the typed name and title.