

**Response to the questions of the review team**  
**Sichuan Guohe 20MW Hydropower Project (Reference No 2085)**

Dear Members of the CDM Executive Board

We refer to the questions raised by the review team concerning DNV's request for registration of project activity reference No 2085 "Sichuan Guohe 20MW Hydropower Project" and would like to provide the below response to these questions.

**Issue 1: The DOE is requested to justify the appropriateness of a benchmark of year 1995 when assessing the additionality with an investment decision made in 2005/06.**

Although the applied IRR benchmark from the "Economic evaluation code for small hydropower projects" (Document No.SL16-95) was issued in 1995<sup>1</sup>, which is still the most specific benchmark for this type of project. In 2002, the Ministry of Water Resources issued a Bulletin on Effective Technical Standard in Hydro & Water Industry<sup>2</sup> to confirm that the Document No.SL16-95 is still in effect and it was confirmed again on 9 September 2006<sup>3</sup> by the Ministry of Water Resources that this benchmark is still in effect in 2006. Therefore the 10% benchmark is representing the common Chinese practice for investment decision processes for small scale hydro projects<sup>4</sup>.

The installed capacity of Guohe project is 20MW which is below 25MW is considered small scale project for the project's approval process in China, and the investment decision for the project was made in the beginning of 2006, the "Economic evaluation code for small hydropower projects" (Document No.SL16-95) is suitable for Guohe project.

**Issue 2: The PP/DOE are requested to confirm whether the start date quoted in the PDD (18 January 2006) complies with the CDM glossary of terms, in particular as the PDD made available for global stakeholder consultation listed the start date as being May 2005.**

In the PDD submitted to the DOE for validation, we were confused with the definition of starting date of the project activity, which we chose as the date when the design institute suggested the project to develop the project as a CDM project<sup>5</sup> (May 2005). However, this date did not indeed represent any action from the project entity with regard to project implementation.

During validation, the starting date of the project activity was clarified as the earliest date at which either the implementation or construction or real action of a project activity begins. Therefore, the

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<sup>1</sup> Economic Evaluation Code for Small Hydropower Projects, issued by Ministry of Water Resources in 1995 (Document No.SL16-95), <http://apps.lib.whu.edu.cn/12/test/gfbz/2/j/xsdpi.html>

<sup>2</sup> Bulletin on Effective Technical Standard in Hydro & Water Industry (Document No. GuokeZongbianzi [2002]07), 18 June 2002, <http://www.cws.net.cn/guifan/bzdt/bzgg.asp>

<sup>3</sup> Bulletin on Effective Technical Standard in Hydro & Water Industry [2006] No.5, confirmed by Ministry of Water Resources on 9 September 2006. <http://www.mwr.gov.cn/tzgg/qt/20060926000000479251.aspx>

<sup>4</sup> Please note that the concept of small hydro project in China differs from the CDM definition. According to the Economic Evaluation Code for Small Hydropower Projects, projects with an installed capacity below 25MW are considered small scale projects for the project's approval process in China. Furthermore, even middle scale projects in some rural areas with capacity below 50MW could be referred to the Economic Evaluation Code for Small Hydropower Projects.

<sup>5</sup> Suggestion letter of CDM development, by Engineering Design and Research Institute of Sichuan University, on 1 May 2005

starting date of Guohe project was corrected to reflect the earliest date of any real action with regard to the project implementation: the date of turbine and generation contract (25 November 2005). This DOE has validated that this date is the earliest date of any real action with regard to project implementation<sup>6</sup>. The starting date of project activity has been updated accordingly in the revised PDD uploaded following this request for review.

**Issue 3: The DOE should clarify how it has validated the common practice analysis and the selection criteria.**

In the PDD, the range for the common practice analysis has been increased from 25 - 30MW to 10MW to 30MW (-50% / +50%). The hydropower plants involved in the common practice analysis and the related parameters are sourced from *Yearbook of China Water Resources 2006*, which is an official statistics, issued by China Water Conservancy and Hydro Power Press. This Yearbook does not refer to any information on projects between 10 and 25MW in Sichuan province. Generally speaking, getting relevant and sufficient information about hydro power plants between 10 and 25MW in any Chinese province is a challenging task.

In this context, we would like to remind to the CDM Executive Board that the CDM Secretariat has proposed a draft guidance on the application of common practice analysis to exempt hydro-based power generation with capacity less than or equal to 25 MW from the application of common practice analysis step in the “Tool for the demonstration and assessment of additionality”, precisely for this reason. This draft proposal was agreed to be discussed further by the Executive Board at this forty-fifth meeting in parallel to this Request for Review.

**Issue 4: The data used to calculate the grid emission factor in the PDD submitted for registration was not available at the commencement of validation (April 2007). The PP and DOE are therefore requested to amend the grid emission factor using data which was available at this date.**

As described in the Validation Report, the first version of Guohe PDD was indeed dated April 12th 2007. However, as shown on the CDM website validation pages, and reminded in the second page of the Validation Report, the validation of Guohe project did not start in April 2007, but on August 10th 2007 (<http://cdm.unfccc.int/Projects/Validation/DB/N7HJQYHUGUSLKH13EV4KF7ZGE9TDM6/view.html>).

Therefore, the most recent data used to calculate the grid emission factor in the PDD submitted for registration came from the China Electric Power Yearbook 2006 and the China Energy Statistical Yearbook 2006. Both sources were available at validation start: the former was published in November 2006 (see: <http://www.chinabookshop.net/china-electric-power-yearbook-2006-p-163.html?osCsid=m6gogk8r8kjuvge914rds1ugn1>) and the latter was published in May 2007 (see: <http://www.chinabookshop.net/china-energy-statistical-yearbook-2006-p-38.html?osCsid=m6gogk8r8kjuvge914rds1ugn1>).

Therefore, the data used to calculate the grid emission factor in the PDD submitted from registration actually were available at the commencement of validation (August 10th 2007), and were the most recent data available at the time of PDD submission, in accordance with the applied methodology ACM0002 version 06.

**Issue 5: The PP/DOE should explain and correct the discrepancy between the PDD and VR regarding the reservoir and its monitoring requirement as per the methodology.**

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<sup>6</sup> The signed date of consent order is 18 January 2006, which is later than the turbine and generation contract.

According to the methodology ACM0002 version 06, it does not require the monitoring of the area of the reservoir during operation, but only at the start of the project, which was carried out during the feasibility study stage and was validated by the DOE.

We leave the DOE clarify the discrepancy if any between the validation report and the PDD.

Best regards,

The Project Participants