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Reference CDM Ref 0786

Attention UNFCCC Secretariat

Title Initial Comments about Request for Review of Project 0786

Dear Members of the CDM Executive Board

We are hereby submitting to the CDM Executive Board our comments about the request for review of Project 0786 [Durgun Hydropower Project in Mongolia] in accordance with the clarifications to implement the review process (version 06, adopted by EB28). We sincerely hope that these comments will be fully considered by the Board.

Sincerely yours

A handwritten signature in black ink, consisting of stylized Korean characters.

Son, Chang-Sik
Director
MAR 5, 2007

Attachment: Initial Comments about Request for Review of Project 0786

[Attachment]

- 1) Reasons for Request 1: the PDD (version 02, 10/11/2006) lacks explaining cross-checking of monitored electricity generation data; provision for any back-up metering in case of routine calibration; auxiliary electricity consumption; import electricity if there is a need

A. Comments from KEMCO

- i. It has been confirmed that the revised monitoring plan, Section D.4 of the revised PDD (version 03, 01/03/2007), sufficiently addresses cross-checking of monitoring data by comparing with the records from the substation and/or grid system, and routine calibration of meters by checking back-up meters or conducting calibration when turbines are not operating
- ii. As for auxiliary fuel consumption for the project activity, it has been confirmed the revised monitoring plan, Section D.3 of the revised PDD (version 03, 01/03/2007), includes electricity imported from the grid as data to be monitored and in addition, Section E.1.2.1 of the revised PDD explicitly states that there will be no on-site emissions due to auxiliary fuel consumption.

- 2) Reasons for Request 2: the project's additionality has been assessed based on IRR only, (PDD lacks showing IRR with CDM revenue)

A. Comments from KEMCO

- i. In accordance with the Simplified modalities and procedures for small-scale CDM project activities, a small scale CDM project, in demonstrating its additionality, is required only to show barriers e.g. investment barriers that the proposed project are faced with. BUT it should be noted that CER revenues could be considered in demonstrating the additionality of large-scale projects, i.e. Step 5 Impacts of CDM registration of the Additionality Demonstration Tool. In our opinion, the additional analysis for IRR with CER revenues is not relevant to the proposed small-scale project. For reference purposes, increase of IRR due to registration as a CDM project is demonstrated in the response from the project participants.
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- 3) Reasons for Request 3: the PDD (version 02, 10/11/2006) lacks references on Mongolian electricity generation data in order to estimate combined margin emission factor

A. Comments from KEMCO

- i. It has been confirmed that Appendix 3 of the revised PDD (version 03, 01/03/2007), sufficiently addresses data sources for emission factor of the Mongolian Central Grid. However, note that the proposed project has taken most conservative approach to determining the baseline emission factor i.e. 0.8 kgCO₂eq/kWh for diesel generators, and the combined margin value is only presented in order to support that approach.

- 4) Reasons for Request 4: : the PDD (version 02, 10/11/2006) lacks explaining how the generated electricity will be utilized or will be dispatched to national grid

A. Comments from KEMCO

- i. The Mongolian coal-based central grid now does not reach the western provinces of Mongolia including Bayan Ulgii, Khovd and Uvs where local people are suffering significant shortage of electricity. The purpose of the proposed project is to meet that demand through the local grid as described in page 5 of the PDD. But, KEMCO acknowledges that the PDD provides little description about how the generated electricity will be utilized or will be dispatched to national grid. In response to the review comments Section A.2 and Section A.4.2 of the revised PDD (version 03, 01/03/2007) describes that the electricity generated will be used mainly for commercial and residential purposes in the above provinces, and later be dispatched to the national central grid.
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