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Reference CDM Ref 1412

Attention UNFCCC Secretariat

Title Initial Comments about Request for Review of Project 1412

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 1412 [Rehabilitation of six HPPs in the Republic of Macedonia] in accordance with the clarifications to implement the review process (version 07, adopted by EB29). We sincerely hope that these comments will be fully considered by the Board.

Sincerely yours

A handwritten signature in black ink, appearing to read 'Son, Chang-Sik'.

Son, Chang-Sik
Director
10 MAR 2008

Attachment: Initial Comments about Request for Review of Project 1412
Revised Validation Report

[Attachment]

1) Reasons for Request 1: further clarification is required on how the start date of the project activity has been defined in accordance with the CDM glossary of terms.

A. Comments from KEMCO

- i. The validation team checked the project implementation schedule which had been submitted by the Project Participants. Based on the schedule it has been confirmed that the proposed project had been implemented since 2001. Thus, the start date of the project in the PDD, i.e. 8 Jan 2001, is the starting date of project implementation and is in accordance with the definition in the CDM glossary of terms.

2) Reasons for Request 2: further clarification is required on how the DOE has validated that the CDM was seriously considered prior to the start date.

A. Comments from KEMCO

- i. The validation team carried out several interviews during the site visit, including interviews with the Deputy General Manager for Investment of ESM, project manager of this project and current General Manager of ELEM Mr. Vlatko Cingoski, and reviewed the documentary evidence provided by ELEM and attached in Appendix 1 of the PDD. ESM (the predecessor of ELEM) could not finance the project on its own or obtain domestic financing for the project. This made them look for opportunities for international financing and the support from the CDM was considered an extremely important form of additional financing. In order to obtain such support ESM organized investment promotion missions in the period 1999-2000. The presentation in Figure AN-1 was made at an official meeting between the management of ESM (the predecessor of ELEM) and UK's National Grid as part of an investment promotion campaign in July 1999. On two slides it is specified that a) Kyoto Protocol Applicability is seriously considered; and b) Kyoto Protocol financing is seriously considered as a financing source for this and other ESM's projects. As this presentation was made at an official meeting in 1999 (before the start of the project in 2001), we are of the opinion that this presentation constituted official corporate documentation available prior to the start of the project activity and satisfies the requirements for Section B.5., described in Guidelines for completing the Project Design Document (CDM-PDD), and the proposed new baseline and monitoring methodologies (CDM-NM).
- ii. In its validation decision the validation team also took into consideration the specific political and economic conditions in Macedonia, which are described on p. 10 – p.12 of the PDD, and concluded that ELEM, although it consider seriously the CDM prior to the start of the project, was not in a position to proceed earlier with the project registration.
- iii. The efforts of ELEM to register their project in the period 1999 – 2007 were also illustrated in a presentation made at a UNIDO seminar in Vienna in 2004, a copy of which was included in Figure AN-2 of the PDD. The presentation is available on the internet and is considered part of the official corporate evidence.
- iv. As a supplementary document, ELEM has also submitted a letter explaining the way CDM was considered prior to the start of project implementation.

- 3) Reasons for Request 3: the DOE shall further clarify how they have validated that the project activity does not involve an increase in the volume of the existing reservoir or the construction of new reservoirs.

A. Comments from KEMCO

- i. As mentioned in Section D.1 of the PDD, the proposed project activity does not involve any civil works but refurbishment of existing facilities only. This fact has been confirmed by the Descriptions of Environmental Impact (DEI) for each of the plants covered by the project. DEIs are official documents and were approved by the Ministry of Environment and Physical Planning (MoEPP) of the Republic of Macedonia. The validation team noted that the DEIs for the proposed project in section "Land Use" (in Macedonian: Zafakane na povrsina) clearly state that none of the plants' rehabilitation involves construction of new facilities or infrastructure, which means that there is no new dam construction or expansion of existing reservoirs.

- 4) Reasons for Request 4: the full generation-weighted average for the most recent 3 years is not used to calculate the Operating Margin emission factor, and the DOE should also provide a more detailed validation opinion regarding how the simple OM method is considered appropriate in the context of the Macedonian electricity grid.

A. Comments from KEMCO

- i. The corrected excel file has been submitted re-calculating the Operating Margin emission factor by taking into account the full generation-weighted average for the most recent 3 years. It has been confirmed that the re-calculated Operation Margin emission factor is correct.
- ii. Simple OM has been selected for the proposed project because dispatch data is not available to the Project Participants (ELEM is only responsible for power generation, but not for distribution and transmission of electricity) and low-cost/must run resources, i.e. hydropower generation, constitute less than 50% of the total grid generation. Please note Annex 3 of the PDD, Share of Low cost/Must Run generation in total power generation in the project (2002-2006). The validation report has been elaborated reflecting this point.