

January 4, 2008

Response to request for review

“Bundled wind power project of Jeju Special Self-Governing Province in Korea”(1377)

Dear Members of the CDM Executive Board,

We refer to the issues raised in the requests for review by three Board members concerning KFQ's request for registration of the “Bundled wind power project of Jeju Special Self-Governing Province in Korea”(1377) and would like to provide the following clarifications for your perusal and review.

The points raised and our response to the same are indicated below.

Comment 1:

The DOE should provide a detailed description of how the NPV calculation has been validated and how the discount rate applied has been considered appropriate.

Comment 4:

The financial analysis is applying a very low discount factor, has flat values over all the crediting period which is not rationale, and does not show a sensitivity based on the price in real terms. Further clarification is required.

Response by PP:

The discount rate for the project has been determined as 7% according to 2nd Basic plan of long term electric supply and demand, 2004, Ministry of commerce industry and energy and this rate is usually used in national investment. According to sensitivity analysis, NPV is still below 0 in consideration of financial debentures (discount rate is 4.83%) and cooperate bond (discount rate is 9.35%) which values are most low & high data at the project promoting time. Therefore this project has additionality as CDM project. Also sensitivity analysis was performed based on price of purchasing electricity (refer to the revised excel sheet for financial analysis).

Comment 2:

The start date of the project activity should be reported in accordance with the definition in the glossary of terms and the DOE should provide information regarding how the prior consideration of the CDM has been validated.

Response by PP:

Based on the past definition in the glossary of terms, the start date of the project, as the real action begins, has been chosen and described in the PDD. According to the revised definition in the glossary of terms, the start date of the project activity was corrected in the PDD (Refer to C.3.2. of the revised PDD). It is the date agreed by the local communities as the earliest date at which either the implementation or construction or real action of a project activity begins. The related evidence was submitted to the KFQ.

Comment 3:

As the PP in this project activity use the investment analysis, the PLF factor of the 3 sites has to be shown independently using the restrictions of each site. There is no indication of the wind availability to reduce the uncertainty of reductions generation and the effect in the financial analysis. Further substantiation is required.

Response by PP:

The PLF factor has been conservatively determined based on "Study on Wind Power Resources in Jeju island(November 2001, University of Jeju)" and the amount of electricity generation to the grid in 2005 and 2006(Operating data on Haengwon wind power plant and Sinchang wind power plant, 2005 & 2006, Jeju Special Self-Governing Province).

For Haengwon plant, the PLF factor has been chosen in view of conservative as the data of 2006 year. It is the lowest value among the actual operating data (2004~2006). And for Sinchang plant, the PLF factor has been chosen as the data of 2006 year which is the actual operating data. The PLF factor applied in the project activity, is average values 24.5% of two sites (Haengwon 24.7 and Singchang 24.4).

In consideration of the most values among the past actual operating values, investment analysis has been performed using the PLF factor 29.5%. Although that, NPV is still below 0 (Refer to the excel sheet of the revised investment analysis).

Duly signed by the authorized representative:



Noh Jong-Whan

Korea Energy Management Corporation