



Mr. Hans Jürgen Stehr
Chair, CDM Executive Board
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September 25th 2007

Re Request for review of the request for registration for the CDM project activity "Baragran Hydro Electric Project, 3.0 MW (being expanded to 4.9MW)" (Ref. no. 1253).

Dear Mr. Stehr,

SGS has been informed that the request for registration for the CDM project activity "Baragran Hydro Electric Project, 3.0 MW (being expanded to 4.9MW)" (Ref. no. 1253) is under consideration for review because three requests for review have been received from members of the Board.

The requests for review are based on the same reasons outlined below. SGS would like to provide a response to the issue raised by the request for review:

Request for clarification to the DOE/PP:

- 1. As the 1st loan agreement letter is dated 20 December 2000 and CDM consideration was discussed in a meeting on 23 April 2004, further clarification on how additionality has been validated is required.*

SGS Reply: The Project proponent considered the CDM for 3MW plant on 15th July 2000 which is before the loan agreement date of 20th December 2000. CDM consideration for 1.9MW was considered on 23rd April 2004 which is mentioned in the validation report (page10). The additionality was validated on the basis of IRR. The IRR calculations were provided in the PDD along with the excel sheet during request for registration. The CDM consideration documents are attached as Annex 1 with this reply.

- 2. Further clarification is required on the date of the board meeting to consider CDM, as the PDD (pg.21) mentions August 2004 while the validation report (pg.10) mentions 23 April 2004.*

SGS Reply: The board meetings mentioned in PDD and validation report are for different dates because in August 2004 the board note mentioned the total capacity of the Plant i.e. 3MW being expanded to 4.9MW where as the 23rd April 2004 mentions only 1.9MW. The board notes are provided as Annex 1 to this reply. The revised PDD and Validation reports are attached as Annex 2 and Annex 3 respectively.

- 3. Further evidence is required to support the benchmark used and how this was validated by the DOE.*



SGS Reply: Benchmark value of 16% as referred by the project proponent towards required return on capital or return on equity investment for the project activity has been validated with reference to the following traceable articles as provided by the project proponent as the supporting documentary evidence -

Article 1 - Energywatch India's Power Sector: On the way of Reforms

(Available at: http://www.energywatch.org.in/india_powersector.htm)

Article 2 - Stanford-CMU Indian Power Sector Reform Studies by Dr. Rahul Tongia (Carnegie Mellon University; Email: tongia@andrew.cmu.edu), February 4, 2003

(Available at: <http://iis-db.stanford.edu/evnts/1565/India.pdf>)

The fact regarding benchmark return of 16% on investment for the project activity as all the power projects in India are considered viable only if the guaranteed returns of minimum 16% on the capital are ensured, is clearly indicated in the above mentioned articles, which was found satisfactory and thus accepted and provided as Annex 4.

We hope that this letter, corrected documents and the attached information address the concerns of the members of the Board.

Pankaj Mohan (0091 9871794671) will be the contact person for the review process and is available to address questions from the Board during the consideration of the review in case the Executive Board wishes.

Yours sincerely

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Annex 1 Board minutes
Annex 2 Revised PDD
Annex 3 Revised Validation report
Annex 4 Benchmark Proof