

NEW SWADESHI SUGAR MILLS

(Prop. The Oudh Sugar Mills Ltd.)

Narkatiaganj (West Champaran) N. E. Rly., Bihar-845455

Registered Office :
P.O. Hargaon
Distt. Sitapur (U.P.)
Pin : 261121

New Delhi Office :
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26, Kasturba Gandhi Marg
New Delhi - 110 001

NSSM – Narkatiaganj Biomass Power Project Project activity 1294

Request for review

1. Further demonstration of the additionality of the project activity is required.
2. As the project involves the installation of a new 10MW turbine generator and retrofitting of one of the existing boilers, further clarification is required on how paragraph 4 and/or paragraph 11 of the methodology has been met.
3. As the electricity exported at 11kV is metered at the plant site, clarification is required as how (to how) the transmission losses will be taken in to consideration.
4. The monitoring plan does not include the annual evaluation of whether there is a surplus of biomass in the region and any leakage that may need to be estimated and deducted from the emission reductions in accordance with the Board's "General guidance on leakage in biomass project activities (ver. 2).

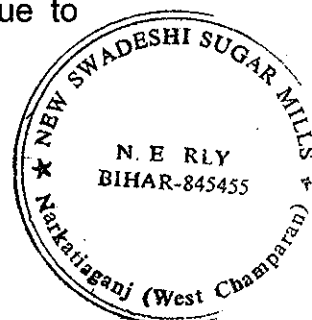
Response to review

1) Demonstration of additionality

The clarification on additionality arose from one of the request for reviews. We therefore believe that this has been suitably demonstrated to satisfy the majority of the reviewers. However to reiterate our arguments we believe that by demonstrating that the project is first of its kind in Bihar (the third largest state in India in terms of population, 82 million live in Bihar, and one of the least developed states in India with a per capita income of \$155 a year against India's average of \$255¹, where currently no sugar factory exports electricity to the grid) this is a sufficient test of additionality. Attachment A of Appendix B of the Simplified modalities and procedures for small-scale clean development mechanism project activities sets out the requirements to demonstrate additionality for small-scale CDM project activities. It states in point c) "Barrier due to prevailing practice: prevailing practice or existing regulatory or policy

¹ http://en.wikipedia.org/wiki/Bihar_%28India%29

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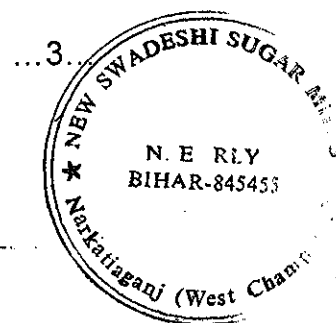
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requirements would have led to implementation of a technology with higher emissions." We have shown that the project activity is first of its kind in Bihar and therefore the condition in point c) of Attachment A of Appendix B has been met as well as the stronger conditions set out in the Tool for demonstration and assessment of additionality, version 3, which states a project may demonstrate additionality through a project activity being "first of its kind". The PDD highlights the risk of being first of its kind – the project had no PPA agreed at the time of commissioning, despite the state electricity board stating its intention to do this by December 2006, and there was no ability to evacuate electricity at 132kV with the result that huge losses were incurred through evacuation at 11kV. This illustrates why the project, being first of its kind, faces severe barriers.

2) Points 4 and 11 AMS-ID, version10

Point 4 of the methodology asks us to show that the new unit added to an existing unit is physically distinct. In the case of the project activity the project is physically distinct as it results in exports of electricity to the grid. There was no ability to export electricity to the grid prior to the implementation of the project activity as there was no grid connection and only the new turbine has the ability to export (see footnote 1 of the PDD). The project only claims for electricity exported to the grid and the operation of the new turbine is totally independent of the existing turbines. Therefore the monitoring of electricity exports permits us to be certain that these emission reductions only arise from the project activity.

In terms of point 11 the project activity does modify the boiler through an increase in its capacity, however this does not affect the lifetime of the boiler (which exceeds the crediting period). Furthermore this has no impact on grid exports as it is the installation of the turbine that permits exports to the grid.



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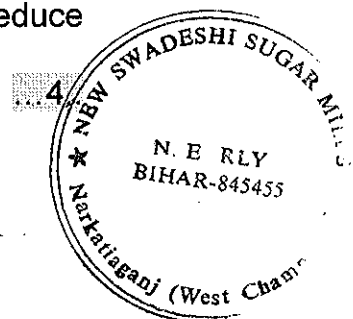
3) Transmission losses

Only exports at 11kV will be monitored at the site as the exports at 132kV will be monitored at the substation. The reason for the export at 11kV was due to the delays in construction of the 132kV line by the state electricity board, the completion of this has been delayed by over a year with considerable costs to the project activity as outlined in the PDD. However this line should now be completed in November 2007 and therefore adjustments for transmission losses should not be required as these will be taken care of through the point of metering, the meter to record exports will be at Bihar State Electricity Board (BSEB) substation.

If electricity is exported at 11kV in the future the transmission losses may however be accounted for from the invoice from the state electricity board as this states the transmission loss that is deducted from the on-site meter reading. The QA/QC procedures in the monitoring of exports will therefore take account of transmission losses but we can amend this to explicitly state that the lower of the exportable and billable will be used to calculate emission reductions.

4) Leakage

AMS-ID states that leakage is to be considered if equipment is transferred, on page 9 we stated that no equipment was transferred. In terms of Attachment C to Appendix B we did provide some information on the availability of biomass in the PDD stating that "In terms of biomass the plant currently has surplus availability of biomass and this will be used to satisfy the increased steam requirement of the increased boiler capacity." This was to demonstrate that the plant would not take biomass from outside sources. As highlighted in the request for review we should have considered whether the change in the boiler capacity would reduce the surplus but this is not the case for the following reasons.



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The turbine generator installed is of a backpressure type and therefore a cogeneration unit, we do not however claim credits for the heat supplied. The steam fed to the turbine is therefore used for process operations in the adjacent sugar factory, this is the norm in sugar factories. The modification of the boiler is therefore to generate more steam more efficiently for the process operations of the sugar factory and to cogenerate electricity for the grid. The project activity uses this increase in steam to generate electricity for the grid rather than passing it through a pressure reducing station. Therefore leakage will not occur as the same amount of fuel would be consumed whether the project activity is implemented or not as the steam requirement of the adjacent sugar factory has increased.

This may be monitored through the RT8-C reports generated by the plant and provided to the State Sugar Commissioner, this report will detail the annual surplus bagasse at the sugar factory.

