



Mr. R K Sethi
Chair, CDM Executive Board
UNFCCC Secretariat
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18th August 2008

Re Request for review for the request for registration for the CDM project activity "WHR CDM CPP" (Ref. no. 1719)

Dear Mr. Sethi,

SGS has been informed that the request for registration for the CDM project activity "WHR CDM CPP" (Ref. no. 1719) is under consideration for review because four 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 an initial response to the issue raised by the requests for review:

Request for clarification to the DOE/PP:

1. Further clarification is required how the investment comparison analysis has been validated by the DOE, in particular the appropriateness of comparing a 25 MW coal based power plant with 95% PLF with the project activity with 80% PLF.

SGS Reply: (a) The investment comparison analysis has been validated on the basis of levelized cost of generation. The comparison of 25MW coal based power plant having 95% PLF with the project activity having 80% PLF was found appropriate. For the comparison between the baseline scenario i.e. coal based power generation and project activity scenario, this was considered the situation, where in the power requirement would have been met by the coal based power plant of at least the equivalent capacity of 25 MW to compare with project activity of 25MW WHRB. Therefore making a comparison of levelized cost of generation from project scenario (i.e. 25 MW WHRB without CDM support) with the 25MW equivalent capacity of coal based power plant is more conservative. The comparison between project activity scenario with 25 MW coal based plant have been checked as given in the PDD page 61. From which it is evident that the levelized cost of generation from 25 MW coal based captive power plant is Rs./MWh 1361 and is less than 25 MW WHRB based captive power plant. Hence going ahead with 25 MW coal based power plant was the most probable scenario with the project participant. This was also checked from the Chartered Accountant (CA) certificate already provided with request for registration. The Chartered Accountants are the statutory auditing and certifying authority as per the India Company Act 1956. The Chartered Accountants are governed by ICAI, an Institute of Chartered Accountants of India, a statutory body established under Chartered Accountants Act 1949.

Plant load factor is the average capacity utilization of the power plant (http://en.wikipedia.org/wiki/Plant_Load_Factor), in case of WHRB power generation based on flue gases of

DRI kiln; it is totally based on Sponge Iron Plant's capacity utilization. Plant load factor is calculated as percentage of actual electricity generation during a year in proportion to the highest possible designed power generation capacity during the year, for example in any project highest possible power generation can be for 365 days 24 hours and multiplied by installed capacity in MW. As against this if the actual electricity is produced in lower quantum; then this is divided by highest annual quantum to arrive at PLF.

WHRB PLF (80%) was validated on the basis of CA certificate (already uploaded with request for registration) and also checked from the project activity it self which has achieved the PLF's of as high as 82.77 % in the month of October 2007 but the PLF for other months after commissioning were in the range of 61% to 77% only. This was checked from the G forms attached as Annex 1a along with actual plant records which are attached as Annex 1b with this response. The project activity is working for 300 days and in the absence of project activity the coal based Power generation would have operated for 350 Days. For the project activity the rest of 50 days the power is taken from the grid as the grid power is used as backup for running the plant. This is mentioned in the PDD on page 22. Based on 300 days of operation the PLF of project activity comes out to be 80%. The Levelized cost and Project IRR calculations have taken care of the additional grid related expenses occurring due to the project activity. This was checked from the spreadsheets provided during validation.

In case of Coal based Power plants the PLF was validated from the publicly available date on the websites. The websites from which the PLF of coal based plants are <http://www.projectsmonitor.com/detailnews.asp?newsid=12288> (99.62%), and <http://www.ntpc.co.in/cms/index.php?page=Turnaround-Capability> (97.69%). From these websites it was concluded that the 95% PLF is achievable. This was also checked from the Plant records from the existing coal based power plant as well and attached with PP response.

- 2. The DOE is requested to provide explanation for the delay in submitting the project for validation to show that CDM revenues were considered essential in the decision to invest in the project activity. The response should provide a detailed timeline of project implementation with relevant, preferably third-party evidences.*

SGS Reply: The PP is already having knowledge about the benefits available from the CDM process as the PP has already implemented 2 project activities which are registered vide registration reference No. 0264 registered on 16th April 2006 and 0772 registered on 18th February 2007. This was checked from the UNFCCC website <http://cdm.unfccc.int/Projects/DB/SGS-UKL1139564002.3/view> and <http://cdm.unfccc.int/Projects/DB/SGS-UKL1163585959.3/view>. This project activity (25MW) was implemented as a planned increase in the capacity expansion of the company and as per requirement of the methodology a new PDD was prepared for this independent project activity. The CDM revenues were considered essential in the decision to invest in the project activity. This was checked from the board minutes dated 27-10-2004 already submitted with request for registration; the effective steps to implement the project activity were started by placing order for waste heat recovery boiler on 29-10-2004 to Thermax. This was validated from the purchase order of boiler. The TG order was placed on 14/12/2004. The application for permission to establish from Pollution Control Board was checked and found that it is put forward on 09-02-2005. Consent to establish was obtained on 04-05-2006 and this was checked during site visit.

The application for Environmental clearance from MoEF was checked and found that it was put forward on 07-09-2005 after public hearing on 06/08/2005. Environmental clearance from MoEF was obtained on 02-03-2006 and this was checked during site visit. The PP appointed M/s. Indus Technical and Financial Consultants Ltd. as their CDM consultants on 27-10-2004. The letter of appointment was checked during validation. The consultant demanded all the legal clearances for proceeding in the matter. This was checked while interviewing the consultant during validation. The DOE was appointed on 15th November 2006 and the contract was signed.

Chronological History for the Project activity

1	CDM Consideration	27/10/2004
2	Appointment of CDM consultants	27/10/2004
3	Purchase Order for WHRB Boiler to Thermax Ltd. 51 tph X 2 Nos.	29/10/2004
4	Supply agreement / Purchase Order for 25 MW TG with Greensol Power	14/12/2004
5	Application for seeking permission to establish from State Pollution Control Board	09/02/2005
6	Approval of Methodology for WHRB by UNFCCC	08/07/2005
7	Public Hearing / Public Consultation	06/08/2005
8	Application for Environment Clearance from Ministry of Environment and Forest submitted after Public Hearing.	07/09/2005
9	NOC issued by State Pollution Control Board	07/10/2005
10	Environment Clearance issued	02/03/2006
11	Permission to Establish received from State Pollution Control Board	04/05/2006
12	Validation proposal received from DOE	06/11/2006
13	Validator appointment done on.	15/11/2006
14	Webhosting of PDD for International Stake holders comments	03 Mar 07 - 01 Apr 07
15	Application for HCA to DNA	24/02/2007
16	letter received from DNA for submission of documents to establish serious CDM consideration, statutory clearances etc.	16/03/2007
17	Commissioning of 12.5 MW (first Boiler) Power plant of Project Activity	31/03/2007
18	Consent to Operate received from State Pollution Control Board	11/04/2007
19	Host Country Approval issued on	15/05/2007
20	Commissioning of 12.5 MW II Boiler, completion of implementation	03/08/2007

From the above chronology it was concluded that the total project was conceived in October 2004 and CDM was considered seriously at the time of investment decision. The letter dated 16-03-2007 from Indian DNA also mentions that proof (Board Resolution) to the effect that CDM was taken into consideration at the time of inception of the project. This shows that even DNA has taken the note of this that the CDM was considered in October 2004 and after going through these documents submitted by PP. This was accepted and host country approval was issued on 15-05-2007. This was also mentioned in NIR14 of validation report as well. All these are more detailed in revised validation report attached with this response as Annex 2.

We apologize if the initial validation report has been unclear and hope that this letter 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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Encl:
Annex 1a G Forms
Annex 1b PLF Spreadsheet