Mr. Rajesh Kumar Sethi

Chair, CDM Executive Board

UNFCCC Secretariat

CDMinfo@unfccc.int

9th December 2008

Dear Mr. Rajesh Kumar Sethi

Re: Initial response to the request for review of the request for registration CDM project activity "8.75 MW Wind Power Project by Taurian Iron & Steel Company Private Limited in District Sangli, Maharashtra, India" (2163).

SGS has been informed that the request for registration for the CDM project activity "8.75 MW Wind Power Project by Taurian Iron & Steel Company Private Limited in District Sangli, Maharashtra, India" (2163) is under consideration for review because three requests for review have been received from members of the Board.

All the requests for review are based on the same reasons which are outlined below. SGS would like to provide an initial response to the issues raised by the requests for review:

Request 1-3, Issue 1:

Further clarification is required on the validation of the appropriateness of the benchmark (WACC), in particular the higher beta value of 2.04% as compared to other similar CDM projects in India.

SGS's Response to Issue 1:

The Project proponent has chosen Weighted Average Cost of Capital (WACC) approach to calculate the benchmark for the present project activity and same was in accordance to the paragraph 6b of Sub Step 2b Option III of "Tool for the demonstration and assessment of additionality" (version 5.2).

The weighted average cost of capital (WACC) is the rate that a company is expected to pay to finance its assets. WACC is the minimum return that a company must earn on existing asset base to satisfy its creditors, owners, and other providers of capital. Here, WACC is the required return on the capital employed by the project proponent for the project activity. Capital is employed by means of both equity and debt. It can be considered as a minimum rate of return which the project should earn to merit consideration by all investor groups (investors and creditors). It was validated that the WACC for the project activity was 14.73%.

WACC Calculation:

The WACC is calculated using the following formula[1]

$$WACC = \frac{E}{V} * Re + \frac{D}{V} * Rd * (1 - Tc)$$

Where:

Re = cost of equity
Rd = cost of debt
E = market value of the firm's equity
D = market value of the firm's debt

[1] http://www.investopedia.com/terms/w/wacc.asp?viewed=1

V = E + D
E/V = percentage of financing that is equity
D/V = percentage of financing that is debt
Tc = corporate tax rate

The justification for the parameters and their values used to calculate the same has been given below:

Cost of debt

The post tax cost of debt was estimated based on the actual lending rate for the project activity (Referred from the loan documents for the project already the same was validated by the DOE and found acceptable). The tax rate considered is the tax rate prevailing during the year of decision making.

Rd = 9.1%* (1-8.42%) = 8.33%

Cost of Equity Calculation

The cost of equity calculated is based on Capital Asset Pricing Model (CAPM) of William Sharpe and John Lintner. The CAPM model propagates a linear relationship between risk and return and is based on the portfolio theory of finance. The underlying philosophy of the method is that any investor investing its capital into a project will demand for a return which is:

- More than the risk free rate
- In accordance to the risk associated with the investment project type

The cost of equity based on the CAPM method, was calculated with the help of the following formula:

$$E(r_e) = r_f + Equity\ Beta * [E(r_m) - r_f]$$ [2]

Where:

$E(r_e)$ is the expected rate of return on equity (cost of equity)
r_f is the risk-free rate of return (e.g. return on government bonds)
$E(r_m)$ is the expected rate of return on a market portfolio
Equity Beta (β) of the project

Risk Free Rate (Rf)

The risk free rate is the return that is assured on capital investment. Essentially, these are the financial instruments for investment without any default risk. In case of India, the Government of India bonds or securities are considered as the most suitable representative for calculation of risk free rate in the market. Thus the risk free rate of return was drawn from the Weighted Average Yield of the Central Government of India dated securities issued in 2004-05 (value available during the year of decision making) at 6.11 %[3].

Market risk premium (E (rm) – rf)

The market risk premium is the return that an investor expects over and above the risk free return for investing in a particular type of industry. To arrive at the market risk premium for the project, the market risk premium was calculated and was further qualified with the help of a co-efficient representing the risk pertaining to wind the power sector. This is in accordance to the CDM EB's guidance on risk premium mentioned in paragraph 14 of the *Guidance on the assessment of Investment Analysis (version02).* The parameters involved to calculate the risk premium has been explained below:

Market Risk Premium = Annual Market Return – Risk free rate

[2] Crisil Advisory Services report on Cost of Capital for Central Sector Utilities, page 24, http://cercind.gov.in/rep1304.pdf
[3] Annual Report, Reserve Bank of India, 2004-05 Page No.155 of 331, http://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/65516.pdf

Annual Market Return

The annual market return has been based on the publicly available BSE-500 INDEX data. BSE-500 Index is a broad-based Index constituting 500 companies across 20 sectors listed at the Exchange, representing approximately 93% of the total BSE Market Capitalization and around 92% of the average turnover at the Exchange. Thus, BSE-500 provides the most comprehensive view of the Indian Capital Market. The BSE - 500 index is scientifically calculated and the 500 companies are selected based on market capitalization, liquidity and balanced industry representation. Thus, this is the largest quantum of data (500 companies) available among all the other indices. Therefore, BSE-500 was deemed to be the most appropriate market index.

The calculation has been done with the help of the Compound Annual Growth Rate (CAGR). The CAGR is a metric that measures the average returns from the stock market investments over a period of time. It is a more accurate measure than simple average of returns and calculated as:

CAGR = (ending amount / beginning amount) (1 / no. of years) – 1

The annual market return thus calculated is 16.16 % (2000-2005) = 6.11% risk free return + 10.05% market risk premium.

As discussed above, the risk free rate of return was drawn from the Weighted Average Yield of the Central Government of India dated securities issued in 2004-05 (value available during the year of decision making) at 6.11 %[4].

Based on the above data for annual market return and risk free rate, the market risk premium has been calculated as 10.05%.

Equity Beta

Equity Beta (β) indicates the sensitivity of the company to market risk factors. For companies that are not publicly listed, the equity beta is determined by referring beta values of publicly listed companies that are engaged in similar types of business. Such a process is also followed in case of financial appraisal of a project, which is different from the investing company's overall portfolio.

This equity beta is known as proxy beta and has been widely propagated and practiced for investment appraisal[5]. Further reference for proxy beta can be found in a policy and guidelines paper by the Treasury of the New South Wales on Financial Appraisal[6] and study by the CRISIL Advisory Services on the power sector of India[7].

Equity beta for Proxy Company

The project activity type is wind power generation; the approach therefore should be to base the equity beta for the project on the beta values of listed wind power generation companies in India. At the time of project investment decision making (i.e. September 2005) BF Utilities was the only listed wind energy or renewable energy power Generation Company on any stock exchange in India (both BSE- Bombay Stock Exchange and NSE-National Stock Exchange). Hence the proxy beta for BF Utilities has been used for calculations.

Equity Beta for any listed company is calculated as the following and the value can vary less than, equal to and more than one[8].

Equity Beta (βe)[9] = Covariance (r, rm) / Variance (rm)

Where:

[4] Annual Report, Reserve Bank of India, 2004-05 Page No.155 of 331, http://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/65516.pdf
[5] http://www.accaglobal.com/pubs/students/publications/student_accountant/archive/sa_apr08_head.pdf , page 46
[6] http://www.treasury.nsw.gov.au/__data/assets/pdf_file/0014/7412/tpp07-4.pdf , page 15
[7] http://cercind.gov.in/rep1304.pdf
[8] Further interpretations of beta values can be found in the following http://www.investopedia.com/articles/01/102401.asp
[9] http://www.bseindia.com/about/abindices/betavalues.asp

r is the return from particular stock
rm is the return from the equity investment for the entire market.

BF Utilities Limited announces its annual financial results on the September of each year.

The equity beta was calculated based on monthly return data of BF Utilities spanning from January 2002 to August 2004.

Asset beta

Since proxy beta calculated with the help of the above formula will be influenced by the capital structure of the "proxy company", it is necessary to remove the effect of this financial gearing specific to that company. Thus, the beta is un-geared and is converted into unlevered beta or asset beta with the help of the following formula:

$$\beta_a = \beta ep / \{1 + (1 - T_c) * (Dc / Ec)$$

Where:

βa is the Asset beta or unlevered beta of the sector
βep is the Equity beta or levered beta of the proxy company
T_c is the marginal tax-rate of the proxy company
D_c / E_c is the debt-equity ratio of the proxy company

The asset beta was calculated based on the available data during the month of decision making of the project and was found to be 0.92.

The asset beta hence calculated is the beta of a firm without any debt i.e. 100% equity. This value represents the standard risk value in the market for all comparable firms financed by 100% equity.

Equity beta for the project (re-levered)

However, considering that an investment project will have its share of financial gearing, the actual risk in the project would be represented fairly only when the financial structure of the project is incorporated into the asset beta of the listed company.

Therefore, the asset beta of BF Utilities is re-levered back to equity beta of the project with the help of the following formula:

$$\beta ep = \beta a * \{1 + (1 - T_p) * (D_p / E_p)\}$$ [10]

Where:

βa is the Asset beta or unlevered beta of the sector
βep is the Equity beta or levered beta of the project
T_p is the marginal tax-rate of the project
D_p / E_p is the debt-equity ratio of the project

The re- levered beta of a firm is a function of its operating leverage (risk), the type of businesses in which it operates, and its financial leverage. The project equity beta was calculated to be 2.04 as shown below:

$\beta ep = 0.92 [1 + (1 - 33.66\%) * 1.85] = 2.04$

Apart from the references provided above, the procedure can be further verified from the method of valuation suggested by the Department of Disinvestment, Government of India[11]. The above procedure thus, can be

[10] http://pages.stern.nyu.edu/~adamodar/pdfiles/papers/beta.pdf
[11] http://www.divest.nic.in/manual03/chap13.htm paragraph 13.2.1.

considered as a government approved methodology used for investment decision across the country (as per 6(d) of additionality tool ver 5.2).

It should be noted here that the above procedure is slightly different from the procedure to calculate the WACC of a listed company having a beta of its own. Since the equity beta is a proxy one from a comparable industry or company, therefore necessary changes are to be made to suit the project activity to be appraised.

Clarification for its value of 2.04

The high beta value of 2.04 represents the relatively high volatility or risk associated with wind power projects. It is also attributed to the high debt equity ratio found in such projects. In the present case, the debt: equity ratio is that of 1.85 (65:30). The normative debt: equity ratio in case of wind power projects is around 2.33 (70:30)[12]. With such financial structure a wind power project can have an equity beta as high as 2.33.

Calculation of beta is dependent on various things like choice of market index (i.e. BSE 30, BSE 500, S&P 500 etc), choice time period (span of data), choice of return interval (annual, monthly or weekly) and above all the procedure used[13]. Such factors may lead to differential values of beta across projects. Further, a beta value of more than one is not unusual and is expected from risky investment projects like that of wind. For example, there have been instances, when the equity beta for BF Utilities inspite of its financial leverage, was found to be 2.067[14]. Therefore, keeping these factors in mind, the beta of 2.04 was considered as appropriate for the project activity.

On the basis of the values determined above, the Cost of Equity for the project was therefore, calculated as per the following:

Re = 6.11 + 2.04 * [16.16 - 6.11] = 26.59%.

Having calculated the cost of debt and cost of equity for the project, the weighted average of these two values was calculated as given the formula above and the WACC for the project was found to be 14.73 %.

Request for Review 1-3, Issue 2:

The DOE is requested to clarify how it has validated that the input values are appropriate for the underlying project activity, in particular the electricity tariff for the period after year 13 and onwards and the PLF.

SGS' Response to Issue 2:

The reply to this comment is divided under three sections:

a. Assessment of the Input data considered for the project.
b. Justification for the electricity Tariff for the period after 13th year onwards.
c. Justification for PLF considered for the project activity.

a. Assessment of the Input data considered for the project

Sr. No	Input data/parameter of the IRR calculation for the project activity.	Value	Reference	Comment from DOE
1.	Capacity of the turbines.	1250 kW	Purchase order between Taurian Iron and Steel Company Pvt. Ltd and Suzlon Energy Ltd.	PO for the project activity was verified at the time of validation by the DOE and found accepted.

[12] http://www.ireda.in/pdf/Financing%20Norms.pdf, page 3
[13] http://pages.stern.nyu.edu/~adamodar/pdfiles/papers/beta.pdf , page 7-10
[14] Annexure 1 Snapshot of equity beta for BF Utilities.

Sr. No	Input data/parameter of the IRR calculation for the project activity.	Value	Reference	Comment from DOE
			Dated 23.09.2005.	Related pages of PO were attached as Annexure 2.
2.	Number of Wind turbines	7	Purchase order between Taurian Iron and Steel Company Pvt. Ltd and Suzlon Energy Ltd. Dated 23.09.2005.	
3.	Supplier/ EPC contractor	Suzlon Energy	Purchase order between Taurian Iron and Steel Company Pvt. Ltd and Suzlon Energy Ltd. Dated 23.09.2005.	
4.	Commissioning of Turbines	4 WTGs commissioned on 25/03/06	Commissioning Certificate issued by MSEDCL dated 28th Mar 2006	Commissioning certificates for the wind mills were verified at the time of validation by the DOE and found accepted. The document was attached as Annexure 3 with the reply.
		3 WTGs commissioned on 28/03/06	Commissioning Certificate issued by MSEDCL dated 31st Mar 2006	
5.	Term Loan, Interest Rate, Loan repayment years, Moratorium & processing charges.	Rs. 3050 Lakhs at an interest rate of 9.10%, 5 years of repayment with zero moratorium and 1% of loan amount as processing charges	Loan papers between project proponent and SREI Infrastructure Finance Limited dated 31.10.2005	Documents verified at the time of validation by the DOE and found accepted.
6.	Base year Tariff	Rs 3.50/kWh	PPA between project proponent and the Maharashtra State Electricity distribution	PPA for the project activity was verified at the time of validation by the DOE and found accepted.
7.	Annual escalation of Tariff rate	Rs 0.15/KWh		

Sr. No	Input data/parameter of the IRR calculation for the project activity.	Value	Reference	Comment from DOE
8.	Tariff applicable for 13th Year	Rs 5.30 /kWh	Company Limited (MSEDCL) dated 24.04.2006, Page no 13, Article 9, Section 9.01.	The document was attached as Annexure 4a and 4b with the reply.
9.	Minimum alternate Tax (MAT)	8.42%	Income Tax Reckoner	Documents verified at the time of validation by the DOE and found accepted.
10.	Corporate Tax (%)	33.66%		
11.	Total Project Cost(Rs. Lakhs)	4692.72	Purchase order, Work order and Land Order between project proponent and Suzlon Ltd. Dated 23.09.2005.	Document verified at the time of validation by the DOE and found accepted.
12.	O & M charges and annual O&M escalation.	10 Lakhs with an annual escalation of 5%	O&M agreement between project proponent and Suzlon Wind-farm Services Limited dated 12.01.2007.	Document verified at the time of validation by the DOE and found accepted.
13	Insurance amount	0.7	Insurance documents	Insurance Documents verified at the time of validation and found accepted.
14.	CER Price (in $)	12	Document titled State and Trend of Carbon Market 2004, Page number 23.	Document was verified at the time of validation by the DOE and found accepted.
15.	Baseline Emission Factor for Western grid.	0.8613	The value of emission factor used is considered from the registered project of Senergy Global Private Limited, project number: 0237.	The information provided by the project proponent is validated by DOE and found acceptable.
16.	Deration after 10th year.	5%	MERC order dated 24.11.2003, Page 34 of 176.	Deration value was accepted to DOE as the MERC order which was publically available on http://www.mercindia.org.in/p

Sr. No	Input data/parameter of the IRR calculation for the project activity.	Value	Reference	Comment from DOE
				df/Detail_Wind_Energy_Order.pdf also mentions the same value.
17.	Capacity Utilization Factor (CUF)	20%	Exhibit A of PPA between project proponent and the MSEDCL dated 24.04.2006, page 27 and MERC order dated 24.11.2003, section 3.3.2, page 93 of 176.	PPA for the project activity was verified at the time of validation by the DOE and found accepted. CUF value used by PP is acceptable to DOE as the MERC order was publically available on http://www.mercindia.org.in/pdf/Detail_Wind_Energy_Order.pdf also mentions the same value.

b. Justification for the electricity Tariff for the period after 13th year onwards

Maharashtra Electricity Regulatory Commission follows "cost plus" approach to fix up the tariff for wind power project as clearly evident in MERC Order dated 24th Nov 2003[15] (Page no. 10 & 11 of 176). As per this approach, the tariff by the utility should be set such that the revenue from tariff should be able to cover the cost of the investment and in addition be able to give a return at the rate set by the respective utility. The tariff of Rs 3.5/kWh with an escalation of 15 paisa for 13 years has been arrived based on this methodology.

Tariff = Cost + Return

After 13th year there are significant amount of uncertainty over the tariff rate. It is also to be noted that the PPA tenure is of 13 years[16], beyond which there is no commitment from the Discom to buy electricity from the project .There are poor chances that PPs all over the state will enjoy a higher revised tariff. There are more chances of lower tariff rate implied on them after 13th year. As stated in MERC Order also (Page no. 14 of 176): the commission notes that:

"in Cost Plus Approach, which the Commission has adopted for tariff proposal, rate per unit charged by such projects during initial period of 10 years is bound to be higher as during this period the project has various debt related obligations. However, it is essential that the consumer is able to enjoy the benefit of cheaper power once all debt related obligations are paid off and project has virtually no variable costs."

As it is clear from the above statement that there is no clear cut guidelines for tariff setting after 13th year onwards therefore the project proponent calculated the tariff for rest 7 years based on cost of supply of wind electricity to the grid based on the projected annual expenses for the project, which is as follows:

Years after 13th year	14	15	16	17	18	19	20
Tariff computed (Rs./kWh)	2.087	2.128	2.171	2.217	1.033	1.083	1.135

The average tariff for the remaining 7 years as calculated from above is Rs.1.69/kWh only.

Hence, in the absence of clear-cut guidelines on the tariff for the further period, the project participant conservatively, considered the tariff of Rs. 3.5/kWh for remaining years for project return calculations.

[15] http://www.mercindia.org.in/pdf/Detail_Wind_Energy_Order.pdf

[16] Article 4, section 4.01, page 9 of the PPA between Project proponent and the MSEDCL dated 24.04.2006

A sensitivity analysis has also been done and presented below to absorb any variation up to 10% in the tariff post 13th year on project IRR:

Tariff Escalation	Project IRR without CDM	Benchmark
(+) 5%	12.24%	14.73%
(+)10%	12.32%	14.73%

It is clear from above table that the project activity is not crossing the benchmark even after increasing the tariff by 10%. It is evident from table that CDM revenue is must to make the project financially viable.

c. Justification for PLF considered for the project activity

As the project activity is located in the state of Maharashtra, the PLF value considered is per the Maharashtra Electricity Regulatory Commission's (MERC)[17] Order dated 24th November 2003, where the commission has accepted CUF of 20% for new projects.

PLF of 20% is also evident in Exhibit A of PPA between Project proponent and the Maharashtra State Electricity distribution Company Limited (MSEDCL) dated 24.04.2006 wherein a description of the project facility has been provided.

To further strengthen the appropriateness of the input value of 20% CUF considered in the project activity, an analysis of past few year's data that has been sourced from Maharashtra Energy Development Agency (MEDA) website(www.mahaurja.com) suggests that the PLF of wind power projects in Maharashtra did not even reach 20%.Table below shows PLF values for past few years.

Plant Load Factor i.e. CUF for Maharashtra[18]

Year	Installed Capacity in Year	Cumulative Capacity	Generation (MUs)	PLF based on current year's installed capacity
2001-02	206.425	399.355	332.04	9.49
2002-03	0.000	399.355	672.46	19.22
2003-04	7.930	407.285	705.5	19.77
2004-05	48.750	456.035	742.96	18.60
2005-06	545.100	1001.135	790.53	9.01

On narrowing down the analysis specifically to the district Sangli, where the turbines of the project are placed, the wind power generation details for year 2007-08 shows that the PLF of the region was 16.5% only. (Source: MEDA website http://www.mahaurja.com/Download/WindGenerationInfo.xls).

As the project activity is already commissioned, the generation data and PLF of the project is presented below, which clearly depicts the lower PLF value:

[17] http://www.mercindia.org.in/pdf/Detail_Wind_Energy_Order.pdf
[18] http://www.mahaurja.com/Download/Sitewise_WindInstallationInfo.xls

Generation details of Turbines in the project activity

Year	Generation at Controller(kWh)[19]							Total Generation	PLF[20] (%)
	G59	G313	G332	G336	G373	G374	G375		
2006-07	1527818	1564445	1647841	1773259	1757653	1669856	1640140	1581012	**15.1**
2007-08	1799521	1732300	1403508	1675288	2119914	2012294	1859337	12602162	**16.4**

In view to the details given above it can be concluded that the assumption of 20% PLF considered is very conservative and appropriate for the project activity.

Request for Review 1-3, Issue 3:

Further clarification is required on how the DOE has validated that the CDM was considered necessary to overcome the barriers to the development of this project activity, considering that the validation of the project started one year after the commissioning of the project and is in line with the guidance provided by EB41 (paragraph 5, Annex 46).

SGS' Response to Issue 3:

As per EB 41(paragraph 5, Annex 46), *Proposed project activities with a start date before 2 August 2008, for which the start date is prior to the date of publication of the PDD for global stakeholder consultation, are required to demonstrate that the CDM was seriously considered in the decision to implement the project activity. Such demonstration requires the following elements to be satisfied:*

(a) The project participant must indicate awareness of the CDM prior to the project activity start date, and that the benefits of the CDM were a decisive factor in the decision to proceed with the project. Evidence to support this would include, inter alia, minutes and/or notes related to the consideration of the decision by the Board of Directors, or equivalent, of the project participant, to undertake the project as a CDM project activity.

The chronology listed below explains the PP had awareness about CDM for wind power projects well before the start date of the project itself.

[19] Actual generation details provided by the EPC contractor
[20] PLF Calculation =(Total electricity generation/ (Capacity of turbine*Total Number of turbines*365*24))/1000*100

Sr. No	Event	Date	Reference
1	Proposal from EPC contractor to the Project proponent for wind mill installation	01.09.2005	Proposal SEL/MKTG/MUM/MPD/TAURIAN, dated September 01, 2005 is attached as Annexure 5 herewith.
2	Letter from PP to EPC Contractor seeking clarification on CDM benefits	05.09.2005	Copy of letter attached as Annexure 6 herewith.
3	Reply from Suzlon Energy Ltd. to PP, confirming the eligibility of renewable energy projects to avail CDM benefits.	07.09.2005	Copy of letter attached as Annexure 7 herewith.
4	Board meeting by PP was conducted to discuss risk and CDM benefits from the proposed wind Project.	09.09.2005	Certified True copy of the resolution passed at the meeting of the Board of Directors of M/s Taurian Iron and Steel Company Pvt. Ltd. Dated 09/09/2005 is attached as Annexure 8 herewith.
5	Purchase order placed with EPC contractor *(Start Date for the project activity)*	23.09.2005	Purchase order Dated 23.09.2005 is attached as Annexure 2 herewith.

It is evident from the chronology above that the PP clarified about CDM benefits for the project activity from the EPC contractor prior to their board meeting. Based upon the inputs received, a final decision was taken in their board meeting on 9th Sep 2005 (prior to the start date of the project). Thus the PP was well aware of CDM before the start date of the project activity.

(b) The project participant must indicate, by means of reliable evidence, that continuing and real actions were taken to secure CDM status for the project in parallel with its implementation .Evidence to support this should include, inter alia, contracts with consultants for CDM/PDD/methodology services, Emission Reduction Purchase Agreements or other documentation related to the sale of the potential CERs (including correspondence with multilateral financial institutions or carbon funds), evidence of agreements or negotiations with a DOE for validation services, submission of a new methodology to the CDM Executive Board, publication in newspaper, interviews with DNA, earlier correspondence on the project with the DNA or the UNFCCC secretariat;

The following table of Chronology of events proves that the continuous and real actions were taken by PP to secure CDM status for the project activity:

Sr. No	Event	Date	Reference
6	Purchase order placed with EPC contractor *(Start Date for the project activity)*	23.09.2005	Purchase order Dated 23.09.2005 is attached as Annexure 2 with the reply.
7	PP appointed M/s Kedia Mukesh & Company as the CDM Consultant for developing their Wind project and signed an agreement with them.	26.09.2005	Agreement copy with M/s Kedia Mukesh & Company is attached as Annexure 9 herewith.
8	Commissioning of four turbines and three turbines	25.03.2006 and 28.03.2006	Commissioning Certificate issued by MSEDCL. The copy of same is attached as Annexure 4a and 4b herewith.
9	PP simultaneously got in touch with Senergy Global Pvt LTD (referred by EPC Contractor) for carrying out CDM consultancy services for their project as there was no progress in the work assigned to M/s Kedia Mukesh & Company. Telephonic communication started in May 2006 and following to which a proposal was sent to PP from Senergy Global Pvt Ltd.	16.06.2006, 01.07.2006, 11.07.2006, 20.07.2006, 14.08.2006, 07.09.2006	E-mails exchanged between the PP and Senergy Global Ltd. attached for reference as Annexure 10.
10	Termination of the work order with M/s Kedia Mukesh & Company	28.12.2006	Termination Letter is attached as Annexure 11 herewith.
11	MOU with Senergy Global Pvt Ltd	29.01.2007	MOU copy is attached as Annexure 12 herewith.
12	Preparation of first version of the PDD.	03.05.2007	PDD copy
13	Submission of the PDD for Host Country Approval	18.06.2007	Copy of Letter submitted to MoEF Annexure 13 herewith.
14	Validation proposal from TUV NORD	27.06.2007	Proposal from TUV NORD Annexure 14 herewith.
15	Validation Quote form SGS India	03.07.2007	Validation Quote form SGS India Annexure 15 herewith.
16	DNA meeting	30.07. 2007	Letter from MoEF is attached as Annexure 16 herewith.
17	Agreement between SGS India and PP for validation	14.08.2007	Agreement copy is attached as Annexure 17 herewith.
18	Web-hosted on UNFCCC website	25.08 07 till 23.09.07	Available on UNFCCC website
19	Submission for Registration of the project.	13.08.2008	Available on UNFCCC website

As it is evident from the chronology listed above, Project proponent had already initiated the CDM process for their wind project before the final decision to go ahead with the current project activity was taken and also a consultant was appointed to do the needful just after the placing the purchase order, but due to unavoidable circumstances PP had to terminate the agreement with the existing consultant i.e M/s Kedia

Mukesh & Company and appointed a new consultant i.e Senergy Global Pvt Ltd to speed up the process of registration of the project activity.

The evidences mentioned above adequately explain that PP was well aware of the availability of CDM funds and that it was a decisive factor for this project activity.

The actual generation details furnished in the comment no 2 for the project proves the fluctuations in the generation (PLF of 15.1% in 2006-07 & 16.4% in 2007-08). The cash inflow with the actual generation of the project is lower than what had been expected. Thus, CDM is needed to overcome the barriers to sustain this project activity.

We feel that the clarification sought by board members has been taken into account. We do however apologize if this was not sufficiently clear from the earlier verification and certification report.

Vikrant Badve (+91 9860365556) 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:

Annexure 1 – Snapshot of BF Utilties
Annexure 2 – Purchase Order
Annexure 3 – PPA
Annexure 4a – Commissioning Certificate
Annexure 4b – Commissioning Certificate
Annexure 5 – Proposal from EPC Contractor
Annexure 6 – Copy of Letter from PP
Annexure 7 – Copy of Letter from Suzlon
Annexure 8 – Board Resolution
Annexure 9 – Agreement Copy_Kedia
Annexure 10 – Mail Communication
Annexure 11 – Termination Letter_Kedia
Annexure 12 – MoU Copy
Annexure 13 – Letter to MoEF
Annexure 14 – Proposal from TUV NORD
Annexure 15 – Proposal from SGS
Annexure 16 – Letter from MoEF
Annexure 17 – Agreement Copy