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TÜV SÜD Industrie Service GmbH · 80684 München · Deutschland

CDM Executive Board



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	IS-USC-MUC/ Werner Betzenbichler	089 5791-2170 werner.betzenbichler@tuev-sued.de	089 5791-2167	3. Mai 2006	1 von 4

Request for review

Dear Sirs,

Please find below our response to the request for review formulated for the CDM project with the registration number 281. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

Werner Betzenbichler
Carbon Management Service

Michael Rumberg

Sitz: München
Amtsgericht: München HRB 96 869

Aufsichtsratsvorsitzender:
Dr. Axel Stepken
Geschäftsführer:
Dr. Manfred Bayerlein (Sprecher)
Dr. Udo Heisel
Christian von der Linde

Telefon: +49 89 5791-2246
Telefax: +49 89 5791-2167
www.tuev-sued.de

TÜV SÜD Industrie Service GmbH
Carbon Management Service
Westendstraße 199
80686 München
Deutschland

Response to the CDM Executive Board

Issue 1:

The validation report is not sufficiently transparent and clear in assessing the acceptance of the additionality of the project activity. The DOE should qualitatively address the different aspects of the PDD.

Response by TÜV SÜD:

The DOE has documented in a transparent manner in the validation report No. 658914 rev 01, dated January 20, 2006, that the draft PDD submitted in April 2005 did not demonstrate the additionality of the project in a transparent and retraceable manner. Accordingly a request for clarification has been issued, having the following content (chapter 3.2.2 of the validation report):

Clarification Request No. 2:

Clarification in form of additional information should be submitted in order to give evidence that the project – with respect to projects costs, technology and prevailing practice, is not the base-line scenario.

The project proponent has responded to this and outlined the following barriers:

- Investment barrier
- Technological barrier
- Barrier due to prevailing practice
- Other barriers

TÜV SÜD has assessed the response in a qualitative manner – as asked in the EB request above – and came to the following conclusion (chapter 3.2.2 of the validation report):

The project proponent has revised and enlarged the argumentation regarding the barriers faced by the project. Whereas some arguments are not considered to be valid as the barrier occurred after the investment decision has been taken (see as an example: The increasing price has occurred after the investment decision has been made), others demonstrate that the project is not considered to be the baseline scenario and significant barriers have been faced by the client.

Firstly, the PDD demonstrates that the unit cost of service – in accordance with the guidance given the “tool for demonstration and assessment of additionality” sub-step 2b, option III – is higher for the project case than for other alternatives. The same is substantiated by underlying calculations and references made for alternative fuels.

Second the technological barrier is demonstrated by expert opinions from equipment manufacturer also indicating the prevailing practice.

The project is hence considered to be additional.

Hence from our perspective the DOE did qualitatively address the different aspects of the PDD regarding the issue of additionality. Next to the barrier analysis hereby in addition also the consideration of the CDM by the decision to proceed with the project has been evaluated and the client has demonstrated by documented evidence how the CDM has been considered since 1999.

Issue 2:

The DOE validated the baseline and additionality based on unit cost of service. However, it is not clear whether or not the DOE checked and verified all data assumptions and the method used to calculate the unit cost of service.

And

Project participants should identify sources of data and assumptions used in the PDD, for example data and assumptions used in investment analysis to demonstrate the additionality.

Response by TÜV SÜD:

The DOE has verified the data provided by the project proponent. The audit team hereby verified the data source for the baseline scenario and the given unit cost of service figures. The data listed in Table 4 for the baseline case derives from an official governmental source.

The same has been compared with the planning as well as with the actual figures for unit cost of service in the project case. The unit cost of service given in the final PDD has been calculated based on actual costs in the years the plant is in operation. The method has been verified by the DOE. The non consideration of depreciation results in an even conservative approach.

Compared to the figures for the baseline case, all calculations for the project case document that the unit cost of service for the project has been higher in each year than for the plausible scenarios in the baseline case.

In addition the figures have been compared with the financial planning data submitted to the financial institutions to obtain the loan. Also this figure is above the unit cost of service in the baseline case.

In the most optimistic scenario the unit cost of service in the project case could be 2.67 Rs/kWh. This is above almost all plausible scenarios outlined in baseline case.

It moreover should be noted that the additionality has been assessed in parallel based on the barriers due to prevailing practice. The project proponent submitted documentation which evidence the fact, that the project has been a first of its kind in the region and is hence additional.



Issue 3:

The discussions in the PDD reveal that multiple residues (e.g. chilli, cotton stalk, paddy husk and juliflora) are planned to be used in the power project. Different agricultural residues have different prices and calorific values. It is not clear at what proportions these agricultural residues are being used / planned to be used.

Response by TÜV SÜD:

The project proponent had the intention to make use as far as possible of agricultural residues and to obtain the most cost efficient fuel. In reality the project proponent had to make use of more expensive types of agricultural fuels. The same is reflected in the high fuel costs which are far above the planning data. The same has been verified by the DOE by looking at planning data and comparing the data with the data in balance sheets 2001-2005. Therefore the unit cost of service has been lowest in the planning data and has not been confirmed in the actual operation of the plant.

Issues 4:

The DOE suggested that the project proponent should change the base year from 2000 to 2005. This led to an increase in CERs from 21 773 to 23 213. It is not clear why the DOE suggested the change. Note that the project is already in operation since 2001 and carbon emission factor for India's Southern Electricity Grid is available from the Central Electricity Authority of India.

Response by TÜV SÜD:

The methodology applied requires to calculate the baseline emissions based on "weighted average emission in the current generation mix". The DOE interprets the current generation mix to require the most recent data available and the same has been applied to all retroactive crediting requiring projects and comment has been given to any of these projects up to now. The rationale behind is next to the literal interpretation of the text, the assumption that in general the more recent data should also be conservative as the plant efficiency increases in the project host country.