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Request for Review

Dear Sirs,

Please find below the response to the request for review formulated for the CDM project with the registration number 1103. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

Javier Castro
Carbon Management Service

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Response to the CDM Executive Board

Request 1,2,3; Issue 1:

As the starting date of the project activity is before the date on which the PDD was made available for public comments, evidence is required that the CDM was seriously considered in the decision to proceed with the project activity. The guidelines for completing the PDD indicate that such information should be included in Section B5.

Project owner's response:

As is known to all, the Chinese government officially signed The Kyoto Protocol in May, 1998, and approved it in August, 2002. As called upon by Chinese Government to disseminate CDM knowledge, the Science and Technology Bureau of the Production and Construction Crops held a CDM Workshop on January 11, 2004 (See **Annex 1**) to introduce the CDM concept, its application procedures and technical issues, and representatives of our company took part in this important Workshop and reported the CDM concept to the Board of Executive Directors after the Workshop. As encouraged and promoted by the Workshop, the Board of the Company conducted a study about CDM, and held a Conference of the Board on February 23, 2004 to consider to develop Manasi River Stage I Hydropower Project of Hongshanzui Hydropower Plant as a CDM project activity so as to take use of revenue of selling CERs for enhancing the project economics. The Conference approved the Resolution of the Board (See **Annex 2**). "The members of Board of Directors agreed that the company should learn and understand the CDM operational procedures, and should develop the Manasi River Stage I Hydropower Plant project as a CDM project activity according to CDM rules." After the Kyoto Protocol entered into force on February 16, 2005, our company officially started the project in February, 2005 as a CDM project activity, since the risk related to the entry into force of Kyoto Protocol has gone.
The relevant document is archived and is ready for reference.

Response by TÜV SÜD:

The submitted documents and evidences are available to TÜV SÜD and the translation is correct. We agree to the justification of the project owner completely and confirm that the consideration of CDM has been evidenced (see attached documents).

Request 3, Issue 1 (second part):

The DOE validated the OM emission coefficient as 0.9279 tCO_2/MWh (p.36), while the value in the PDD is 1.2775 tCO_2/MWh.

Project owner's response:

We checked again this issue in PDD but we did not find the two figures mentioned. We guess that this may be from or related to some other project.

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Response by TÜV SÜD:

We come to the same conclusion as the project owner. Neither in the validation report nor the PDD the claimed factors can be found.

Request 1,2,3; Issue 2:

The output of the project activity will be increased by the creation of a reservoir upriver and the PDD refers to a storage capacity of 0.85 million m^3. However, the approved methodology is applicable to "Run-of-river hydro power plants; hydro power projects with existing reservoirs where the volume of the reservoir is not increased." It should be more clearly demonstrated that the project activity complies with the applicability criteria of the approved methodology.

Project owner's response:

According to our understanding, this issue is related to whether this project is applicable to the Methodology "ACM0002ver. 6 - Consolidated methodology for grid-connected electricity generation from renewable sources", we would like to make our clarifications in three aspects as below:

1. This project is a run-of-river hydropower project, in accordance with the definition of daily regulation hydropower plants, as stated in Page 32 of Hydropower Fascicule of Water Conservancy Encyclopedia China (***See Annex 3***). The definition for run-of-river hydropower plants is: daily regulation hydropower plants and plants without regulation functions are all looked as "run-of-river" category. As for daily regulation, there is such description in the Annex 3 that "Those plants are considered to be daily regulation hydropower plants if the ratio of the effective storage of the reservoir or of the water pool to designed daily inflow falls into the range of 30%~50%."

The effective storage of this project is 0.85 million m^3, the designed daily inflow of the hydropower plant is 4.65 million m^3. According to the result of calculation, the effective storage only accounts for 18.28% of the designed daily inflow, therefore this project does not have the function of daily regulation, which is consistent with the definition of run-of-river hydropower plant (***See Annex 4***).

2. Further, with installed capacity of 50 MW and flooded surface area of 0.1854 million m^2 at full storage capacity (***See Annex 5***), the power density is calculated to be 269.69 W/m^2, which is much higher than the threshold of the requirement of the Methodology, and is fully applicable to the methodology.

3. Finally, the approved methodology is applicable to "Run-of-river hydro power plants; hydropower projects with existing reservoirs where the volume of the reservoir is not increased." The content that "An inhaul hinge designed to lift the water height to insure the operation pressure with a storage capacity of 0.85 million m^3 at normal reservoir level of 842.4 m." mentioned in the Section A.4.3 in the PDD (Page 5) was not correctly translated, and the correct translation should be "An inhaul hinge designed for water intake, flood discharge and sediment deposition with a storage capacity of 0.85 million m^3.at normal pool level of 842.4 m (above the sea level)". For the text in the footnote of the page 2 of the PDD "Kensiwate reservoir (excluded from the proposed project activity), in the upriver of the proposed site, will start operation since 2014.", we would like to clarify that Kensiwate reservoir is only a reservoir that might be built in future on the upriver of Manasi River area, according to the long term development plan, and even if the Kensiwate reservoir would be buildt, it would have nothing to do with the owner of this proposed CDM project activity, and the investment, construction, operation, management and re-

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venue of Kensiwate reservoir would be done by others, so Kensiwate is not under the control by this proposed CDM project activity, nor by the owner of this project, and therefore shall not be considered as something to affect this project. Furthermore, the completion of Kensiwate will not increase the storage capacity of this project, it might, as forecasted and anticipated, only make the inflow water from upriver for this project much more stable (less flooding), and it might increase slightly, also as forecasted and anticipated, the annual operation hours of the generator units, which, as we understand, is forecasting potential results of those activity other than this proposed CDM activity, and therefore should not affect the applicability of this project to the methodology ACM0002.

Response by TÜV SÜD:

This clarification can be confirmed by TÜV SÜD as well due to the on-site audit and the document review. In the methodology it is not clear if the semicolon in the applicability criterion "Run-of-river hydro power plants**;** hydro power projects with existing reservoirs where the volume of the reservoir is not increased." means "and" or "or". As soon as there is a construction work in the river sort of a reservoir will be created. In the case of a run-of-river hydro power plant this reservoir should not exceed the daily flow according to Chinese as well as European definition. This is not the case for this project activity. Hence, we have considered the definition of a run-of-river hydro power plant as described in the methodology to be applicable. Otherwise there will be no hydro power project applicable according to the first definition of the methodology, if both criteria according to the methodology have to be fulfilled - "Run-of-river hydro power plants **and** hydro power projects with existing reservoirs where the volume of the reservoir is not increased."
If this would be the interpretation of the applicability criteria of ACM0002 this project would have to switch to the second criteria: "New hydro electric power plant…" The power density has been calculated and would be more than 10 W/m². Hence, we think in both cases the applicability criteria are met.