

**Response to the request for review for the CDM project activity
“Manasi River Stage I Hydropower Project of Hongshanzui Hydropower
Plant, Xinjiang Tianfu Thermoelectric Co., Ltd.”
with the registration number 1103**

Attention: Kai-Uwe Bamni Schmidt
Manager, CDM Section
CDM Executive Board to Kyoto Protocol

August 21, 2007

Dear Kai-Uwe Bamni Schmidt,

We were informed that our project “Manasi River Stage I Hydropower Project of Hongshanzui Hydropower Plant, Xinjiang Tianfu Thermoelectric Co., Ltd. (Ref. no.1103)” was requested for review by CDM Executive Board on the 7 August 2007. As required by the Board, we would like to answer the questions, clarify the issues and provide additional information, as required by the Board, as follows. Please forward our answers, clarifications and additional information to the Board.

Issue 1 raised:

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.

Our clarifications:

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.

Issue 2 raised:

The DOE validated the OM emission coefficient as 0.9279 tCO₂/MWh (p.36), while the value in the PDD is 1.2775 tCO₂/MWh.

Our clarifications:

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.

Issue 3 raised:

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 m³. 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.

Our clarifications:

According to our understanding, this issue is related to whether this project is applicable to the Methodology “ACM0002 ver. 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 m³, the designed daily inflow of the hydropower plant is 4.65 million m³. 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 m² at full storage capacity (*See Annex 5*), the power density is calculated to be 269.69W/m², 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 m³ at normal reservoir level of 842.4m.” 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 m³.at normal pool level of 842.4m (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 revenue 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.

With the above clarification, explanation and additional information, we wish that the CDM Executive Board would be satisfactory and will approve the registration of our project activity in a quick manner.

Yours sincerely

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