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CDM Team



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DAP-PL-2722  
DAP-IS-3516.01  
DPT-ZE-3510.02  
ZLS-ZE-219/99  
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Your reference/letter of	Our reference/name	Tel. extension/E-mail	Fax extension	Date/Document	Page
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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 1333. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

Werner Betzenbichler  
Carbon Management Service

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## **Response to the CDM Executive Board**

### **Issue 1**

Further clarification is required on how the DOE has validated the investment analysis and how it has verified and validated the assumptions that are input for the calculations.

AND

### **Issue 2**

In addition, the DOE shall further clarify how it has checked and validated the applicability of the benchmark and how the values of the parameters noted in the PDD (p. 10) were applied in the IRR calculations.

### **Response by TÜV SÜD**

Referring to “How the DOE has validated the investment analysis and assumptions that are input for the calculations”: Chapters 2.2 to 2.5 of the validation report clarify that both a desk review and follow up interviews were performed to validate that all validation requirements, amongst them additionality (argued for by an investment analysis) were fulfilled. We have confirmed in chapter 3, part B.5 and CARs 12 and 13 of our validation report and protocol and would like to reconfirm at this point one more time that TÜV SÜD

- a. Validated the appropriate analysis method (as required by sub-step 2.a),
- b. Validated the appropriateness of the selected benchmark (as required by sub-step 2.b): Referring to issue 2, as stated in the PDD, according to the Economic Evaluation Code for Small Hydropower Projects issued by the Ministry of Water Resources in 1995, the IRR benchmark of 10% is applicable to hydropower projects with an installed capacity below 50MW. The validation of the applicability of the benchmark is based on official sources and further verification of these sources is considered being out of the scope of the CDM validation,
- c. Reviewed all documents mentioned in the PDD under sub-step 2.c of the additionality tool as well as in the IRR calculation spreadsheet and confirmed their completeness and relevance for evidencing the economic situation at CDM decision-making context. The assessment is based on official sources and further verification of these sources is considered being out of the scope of the CDM validation. For most parameters, the Preliminary Design Report provides the most realistic values, except for the electricity forecast to be fed into the grid and the electricity tariff, for which the values provided by the the Hunan Provincial Price Bureau's document (XiangJiaZhong[2005]183) are more accurate,
- d. Confirmed that the sensitivity analysis has been performed appropriately varying key parameters and that the resulting IRR is still below the benchmark (as required by sub-step 2.d).

### **Issue 3**

Further clarification is required on how the DOE has validated the common practice analysis, in particular, as to how the assumptions and parameters used in calculating the IRR for the other hydro projects were compared with those that were used for the project activity.

#### **Response by TÜV SÜD**

Table 6 in the PDD, and the corresponding source of the IRRs was carefully checked by the DOE and found to be complete. We like to explicitly mention that the IRRs of the other projects are listed in the respective source and that this source is official. The request to validate the assumptions and parameters used in calculating the IRR for the other hydro projects is considered being outside the scope of the CDM validation, Thus, all details and evidence to support the validation are contained in the PDD and TS has sufficiently confirmed in the validation report, chapter 2, 3 and the protocol part B.5 that these details and documentary evidence are complete and relevant to confirm the requirements of step 4 of the additionality tool.\_

### **Issue 4**

The PDD should clearly state which years were used for the calculation of the OM.

#### **Response by TÜV SÜD**

As stated in Annex 3 of the PDD it is referred to the years 2002 to 2004.

### **Issue 5**

The DOE shall further clarify how the data to determine an ex ante emission factor for the regional grid was validated.

#### **Response by TÜV SÜD**

At first the assessment team reviewed the description in the chapter B.6 of the PDD about how to determine an ex ante emission factor for the regional grid, and confirmed the compliance with the methodology. Further the data sources referred in the PDD including Annex 3 were reviewed and found to be correct. As the proposed project has adopted the values of the *Notification on Determining Baseline Emission Factor of China's Grid* which are issued by NDRC on Dec. 15 2006, we also checked the values presented in the notification. They are consistent.

### **Issue 6**

According to the footnote on page 6, emissions reductions are estimated as of Sept. 2007 even though the start of crediting date is given as 12/11/2007 or date of registration". Further corrections are required.

#### **Response by PP**



Industrie Service

The footnote on page 6 has been corrected to: "Emission reductions generated by the first set of hydro turbine and accompanied generator are estimated from Nov., 2007. Emission reductions generated by the other two sets of hydro turbines and accompanied generators are estimated from Jan., 2008."

Response by TÜV SÜD

We can confirm the above answer of the PP.