Your reference/letter of	Our reference/name	Tel.extension/E-mail	Fax extension	Date/Document
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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 1941. In case you have any further inquiries please let us know as we kindly assist you.

Yours sincerely,

FENG Jianjun
Chairman of Board

PP's response for:

1941 Langxiang 30MW Hydro Power Project in Guizhou Province China

1. If the start date of the project activity is to be considered as mentioned in the PDD i.e. 01 March 2004- the start of the initial construction, then the DOE should clarify how the prior consideration of the CDM (before March 2004) has been validated.

The response by PPs:

We would like to only stress that:

Firstly the additonality of the proposed project is an objective presence; during the construction we applied for CDM, which is a decisive factor for the project activity to continue construction, in spite of non-consideration prior to the commencement. Please review the PDD again.

Secondly the validation on-site is fulfilled on 30 December 2006, and the delivery confirmation of validation report by EB secretariat is on 4 July 2008. The process of validation is quite long, during which the EB's requirement have been changed a lot.

In our opinion, the time point of the start of the project activity is absolutely not the same as the time point of the emergence of additionality. Before the commissioning as long as something happened to bar the continuation of the project, then this matter should be considered as an objective barrier in the additionality analysis.

2. The PP/DOE are requested to submit a revised investment analysis with a clear explanation of the input values and how these values have been validated. The DOE should further clarify if the investments made prior to the consideration of the CDM and restart of the construction have been included in the investment analysis and if yes, justify the reasons for the same.

The response by PPs:

In the IRR calculation spreadsheet:

1.1 the total static investment is 172.72 million RMB Yuan, it consists of two parts, one is the estimated total static investment in the FSR, which is 127.71 million RMB Yuan, the other is increased static investment till the end of 2005 , which is confirmed as 45.01 million RMB Yuan by the supervising engineer. Both of the two parts were validated by DOE during validation.

1.2 The O&M cost is 3.505 million RMB Yuan, it is a weighted-average value of different O&M cost of different year during the operational period in the FSR. In the FSR, the value of O&M cost in the first 15 years is 3.80 million RMB Yuan, and the value of O&M cost in the second(last) 15 years is 3.21 million RMB Yuan, thus the average value of the O&M cost during the operational period is calculated as :

O&M cost=3.8*15/30+3.21*15/30=3.505 million RMB Yuan

1.3 Annual grid-connected electricity generation (the net electricity) is 118060 MWh, which is quoted from the FSR.

1.4 Electricity tariff is 0.215 RMB Yuan/kWh, quoted from the electricity tariff documentation issued by NDRC, file number: Fagaijiage [2004]1037.

The FSR was completed by *Guizhou Water Conservancy and Hydro Electric Survey and Design*

Institute, and approved by the *Guizhou province Development and Planing committee*. The report of increasing investment was completed by *Changjiang Water Resources Commission Supervise Centre,* which is a famous supervisor in China's hydro electric industry. Hence the input parameters used in the financial analysis can thus be considered information provided by an independent and recognized source.

The electricity tariff used in the financial analysis is consistent with the value in the electricity documentation and available.

PPs re-compare the input parameters for the financial analysis included in the PDD with the parameters stated in the FSR and the electricity tariff document. PPs are able to confirm that the values applied are consistent with the value stated in the FSR and the electricity tariff document.

3. Further clarification is required on why the common practice analysis has been limited to projects: a) in the capacity range of 15-50 MW, and b) in operation.

The response by PPs:

The reason why we choose hydro projects in the capacity range of 15~50MW is as follows:

a). In China's regulation (*The Standard for Classification and Flood Control of Water Resources and Hydroelectric Project, SL252-2000*), hydro power projects with the capacity not higher than 50MW were defined as small scale hydro power project. Hence the hydropower projects which capacity is higher than 50MW are excluded out of this common practice.

b). because the hydro power projects (the proposed CDM project) which capacity is less or equal to 15MW don't need do common practice, and in China's water conservancy yearbook, the information about the hydro power project with the capacity which is less or equal to the 15MW is not available, the hydro power projects which capacity is less or equal to 15MW are excluded out of this common practice.

Accordingly the hydro power projects with the capacity range of 15~50MW are considered to performed the common practice.

The reason why we choose hydro power projects in operation is as follows:

c). we can't obtain the relevant data about the hydro power project which is not put into operation from the public statistic yearbook; and

d). we can't choose any hydro power project which has some possibility may cause the project failure to do common practice, such as project in planning or in construction. These projects always have uncertainty before these are not put into operation.

Therefore Using hydro power projects in operation to do common practice have very high dependability.