



## Final Ruling Regarding the Request for Registration of

### “Yunnan Province, Tengchong County, XiShanHe Hydropower Station Project” (3397)

The CDM-Executive Board decided to reject the above proposed project activity on 7<sup>th</sup> March 2011 in accordance with “Procedures for review of requests for registration”, version 01.2, EB 55, Annex 40, paragraphs 20 and 28 (the procedures). Paragraph 27 of the procedures require that rulings of the Board contain the reasons and rationale for the final decision, which are as follows:

- The DOE (DNV) failed to substantiate the suitability of input values to the investment analysis in line with the requirements of paragraph 111(a) of the VVM, version 1.2 (VVM) , as the DOE has not sufficiently substantiated the use of a 0.8 coefficient of effective electricity for the proposed project activity.
- Paragraph 111(a) of the VVM states that the DOE shall : *“Conduct a thorough assessment of all parameters and assumptions used in calculating the relevant financial indicator, and determine the accuracy and suitability of these parameters using the available evidence and expertise in relevant accounting practices”*.
- However, the DOE has indicated that the 0.8 coefficient of effective electricity that is used for the project activity is based on the Economic Evaluation Code for Small Hydropower Projects (SL 16-95) and that actual electricity production from 2008-2010 is lower than estimated in the feasibility study report (FSR). This evidence is insufficient since reliable operational information for hydro power plants requires a long time series and conclusions based on two years (2008-10) operational data is therefore not sufficient to justify the use of the 0.8 coefficient of effective electricity. If the insufficiently justified coefficient is removed (set to 1), the IRR becomes 11.8%, which is higher than the 10% benchmark.

Please note, however, that, with appropriate revisions, this project activity may be resubmitted for validation and registration provided it meets the requirements for validation and registration, in accordance with paragraph 42 of the CDM Modalities and Procedures (Decision 3/CMP.1).

- - - - -

### History of the document

|                        |   |   |
|------------------------|---|---|
| <b>Project</b><br>3397 | Related to EB 55<br>Annex 40<br>Paragraphs 20, 27 & 28<br>07 March 2011 | <b>Decision Class:</b> Ruling<br><b>Document Type:</b> Information Note<br><b>Business Function:</b> Registration |
|------------------------|---|---|