

## Final Ruling Regarding the Request for Registration of

### “Sichuan Lengshuikou 12.1 MW Small-Scale Bundled Hydropower Project” (3581)

The CDM-Executive Board decided to reject the above proposed project activity on 3<sup>rd</sup> June 2011, during EB 61<sup>st</sup> meeting, in accordance with “*Procedures for review of requests for registration*”, version 1.2, EB 55, Annex 40, paragraphs 23, 24, 26 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the rulings shall contain the reasons and rationale for the final decision which are as follows:

- The DOE (DNV) failed to substantiate the additionality of the project activity and meet the validation requirements to assess the suitability of the electricity tariff assumed in the investment analysis in line with the requirements of the paragraphs 111 (a), (b) & (c) of VVM version 1.2 and “Guidelines on the assessment of investment analysis”, version 3.1, EB 51, Annex 58, paragraph 6.
- VVM, version 1.2, Paragraph 111(a) 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”*.  
VVM, version 1.2, Paragraph 111(b) states that *“the DOE shall cross-check the parameters against third-party or publicly available sources, such as invoices or price indices”*.  
VVM, version 1.2, Paragraph 111(c) states that *“the DOE shall review feasibility reports, public announcements and annual financial reports related to the proposed CDM project activity and the project participants”*.  
EB 51, Annex 58, Paragraph 6 of states that *“Input values used in all investment analysis should be valid and applicable at the time of the investment decision taken by the project participant. The DOE is therefore expected to validate the timing of the investment decision and the consistency and appropriateness of the input values with this timing. The DOE should also validate that the listed input values have been consistently applied in all calculations”*.
- The DOE failed to justify the suitability of the assumed electricity tariff for stage I of the project activity, one of the three stages of the bundle. The DOE indicated that the applied tariff of 0.205 RMB/kWh, excluding VAT, is suitable as it was sourced from the Power Purchase Agreement signed on 15/03/2007. However, with the application of the highest tariff for the Province (0.25 RMB/kWh, excluding VAT, as per the information note on the highest tariffs applied by the executive board in its decisions on registration of projects in China, version 01, EB54, paragraph 53), the project IRR of stage I is higher than benchmark. Further, the electricity tariff used in the investment analysis was not available at the time of investment decision (20/12/2006), when the construction contract was signed.

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).

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History of the document

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| <b>Project</b><br>3581 | Related to EB 61<br>Meeting Report<br>Paragraph 73<br>3 June 2011 | <b>Decision Class:</b> Ruling<br><b>Document Type:</b> Information Note<br><b>Business Function:</b> Registration |
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