

**CDM-PA7684-RULE01**

## Ruling note

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Request for registration for “Construction and operation of the Hydraulic Power Plant Chicoasén II”

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

1. The CDM-Executive Board decided to reject the above proposed project activity on 15 July 2013, in accordance with "Procedures for review of requests for registration", version 1.1, EB 55, Annex 40, paragraphs 20 and 28 (the procedures). In accordance with paragraph 27 of the procedures, the rulings shall contain an explanation of the reasons and rationale for the final decision, which are as follows:
  - a. The DOE (Applus) failed to validate the additionality of the project activity, in particular the use of an investment comparison analysis for the additionality demonstration in accordance with paragraph 105 of the validation and verification manual (VVM), version 1.2; paragraph 19 of the "Guidelines on the assessment of investment analysis", version 5; and page 4 of ACM0002 version 12.
  - b. VVM, version 1.2, paragraph 105 states that "The PDD shall identify credible alternatives to the project activity in order to determine the most realistic baseline scenario, unless the approved methodology that is selected by the proposed CDM project activity prescribes the baseline scenario and no further analysis is required."
  - c. ACM0002 version 12, page 4 states that "If the project activity is the installation of a new grid-connected renewable power plant/unit, the baseline scenario is the following: Electricity delivered to the grid by the project activity would have otherwise been generated by the operation of grid-connected power plants and by the addition of new generation sources, as reflected in the combined margin (CM) calculations described in the "Tool to calculate the emission factor for an electricity system."
  - d. ACM0002 refers to the "Tool for the demonstration and assessment of additionality" and Step 1(a) of the tool states that other credible scenarios should take into account, where relevant, examples of scenarios identified in the underlying methodology. Paragraph 19 of the "Guidelines on the assessment of investment analysis", version 5, states that "If the proposed baseline scenario leaves the project participant no other choice than to make an investment to supply the same (or substitute) products or services, a benchmark analysis is not appropriate and an investment comparison analysis shall be used. If the alternative to the project activity is the supply of electricity from a grid this is not to be considered an investment and a benchmark approach is considered appropriate".
  - e. The DOE applied an incorrect interpretation of the applied methodology that "addition of new generation sources" in the identified baseline scenario for greenfield project would be planned or future fossil fuel plants. This is not consistent with the "Tool to calculate the emission factor for an electricity system" version 2.2.1, where the new generation sources is defined as those power units that "started to supply electricity to the grid most recently". Planned or future power units are not included within this definition. Further, for the proposed project, the alternatives are "the project activity not implemented as a CDM project" and the existing grid and thus, the benchmark analysis shall be applied as per "Guidelines on the assessment of investment analysis".
2. Please note 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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### Document information

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01.0	30 August 2013	Initial publication. Related to EB 55, Annex 40 (Paragraphs 20, 27 & 28)

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