 <p>CDM: FORM FOR SUBMISSION OF A “LETTER TO THE BOARD” (Version 01.2)</p> <p>This form should be used only by project participants and other stakeholders for submitting a “Letter to the Board” in accordance with the latest version of the <i>Modalities and procedures for direct communication with stakeholders</i></p>	
<i>Name of the stakeholder¹ submitting this form (individual/organization):</i>	Sindicato Energético S.A.
<i>Address and contact details of the individual submitting this form:</i>	Address: Calle Los Ruiseñores Oeste 277 San Isidro, Lima 23-Peru Telephone number: (51-1) 421-7359 E-mail address: bzdrav@sinersaperu.com
<i>Title/Subject (give a short title or specify the subject of your submission)</i>	Effective Registration Date for CDM Project “Olmos 1 Hydroelectric Power Plant”(Ref. no. 7351)
<i>Please mention whether the submitter of the form is:</i>	<input checked="" type="checkbox"/> Project participant <input type="checkbox"/> Other stakeholder, please specify
<i>Specify whether you want the letter to be treated as confidential²:</i>	<input type="checkbox"/> To be treated as confidential <input checked="" type="checkbox"/> To be publicly available (UNFCCC CDM web site)
<i>Please choose any of the type(s) below³ to describe the purpose of this submission.</i>	
<input checked="" type="checkbox"/> Type I: <input checked="" type="checkbox"/> Request for clarification <input type="checkbox"/> Revision of existing rules <input type="checkbox"/> Standards. Please specify reference <input checked="" type="checkbox"/> Procedures. Please specify reference "Clean Development Mechanism Project Cycle Procedure" (CDM-EB65-A32-PROC) <input type="checkbox"/> Guidance. Please specify reference <input type="checkbox"/> Forms. Please specify reference <input type="checkbox"/> Others. Please specify reference <input type="checkbox"/> Type II: Request for Introduction of new rules <input type="checkbox"/> Type III: Provision of information and suggestions on policy issues	
<i>Please describe in detail the issue on which you request a response from the Board, including the exact reference source and version (if applicable).</i>	

¹ DNAs and DOEs shall use the respective DNA/DOE forms for communication with the Board.

² As per the applicable modalities and procedures, the Board may make its response publicly available.

³ Latest CDM regulatory documents and information are available at: <http://cdm.unfccc.int/Reference/index.html> .

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We would like to refer to the registered CDM Project "Olmos 1 Hydroelectric Power Plant" (Ref. no. 7351). On November 20, 2012 it was confirmed by the CDM team the resubmission of a request for registration of the proposed project activity in response to queries during the secretariat's completeness check. On April 30, 2013, the CDM team announced that the complete request for registration proceeded. Later on, the project received a Request for Review from the CDM EB. A response was made accordingly by the DOE and submitted on June 14, 2013. The response only clarified some issues and did not include any changes to the validation report. In addition, Moreover, no additional documents were provided to the DOE by the Project Participants after the request for review.

We would also like to refer to Paragraph 98 of the "Clean Development Mechanism Project Cycle Procedure" (CDM-EB65-A32-PROC) which states that: " If a Board's final decision made in accordance with paragraph 93 or 97 above is to register the proposed CDM project activity or PoA, the secretariat shall register it as a CDM project activity or PoA on the first working day subsequent to the finalization of the decision. The effective date of registration in such cases shall be the day on which the latest revisions to the validation report and/or supporting documentation were submitted."

The effective registration date of the project is currently June 14, 2013. As mentioned above, no changes were made to the validation report and no additional supporting documents were submitted to the DOE by the Project Proponents after November 20, 2012. Therefore, we kindly request the effective registration date of the project to be changed to November 20, 2012.

Please provide any specific suggestions or further information which would address the issue raised in the previous section, including the exact reference source and version (if applicable).

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Clean Development Mechanism Project Cycle Procedure" (CDM-EB65-A32-PROC)]

If necessary, list attached files containing relevant information (if any)

- Response to the Request for Review

Section below to be filled in by UNFCCC secretariat

Date when the form was received at UNFCCC secretariat	24 March 2014
Reference number	2014-348-S, INQ-01728

History of document

Version	Date	Nature of revision
01.2	08 February 2012	Editorial revision.
01.1	09 August 2011	Editorial revision.
01	04 August 2011	Initial publication date.
Decision Class: Regulatory Document Type: Form Business Function: Governance		

**Initial Comments to Request for Review of project "Request for review for:
request for registration of Olmos 1 Hydroelectric Power Plant" (Ref. no.
7351)**

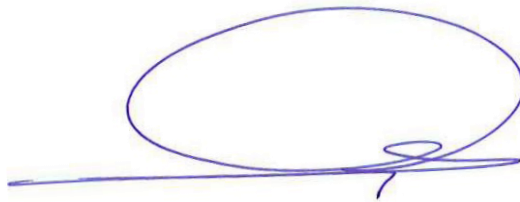
Dear Honourable Members of the CDM Executive Board,

Please find below the response from AENOR to the request for review for the above mentioned project No. **7351**.

If you have any questions do not hesitate to contact us.

Yours sincerely,

AENOR



Luis Robles Olmos
Head of Climate Change Unit- AENOR
Madrid 2013/06/10

UNFCCC confirmed on 2013/05/24 that the Request for Registration for "**Olmos 1 Hydroelectric Power Plant**" - Ref No. 7351 was under consideration for review because three requests for review have been received from members of the Board or one request for review has been received from a Party involved for the following reason(s):

- *The DOE shall further explain how it has validated the suitability of the common practice analysis, in particular, how year 2004 constitutes a change in "investment climate" for the implementation of hydropower plants, considering that information on circumstances and/or regulations applicable to hydropower projects has not been provided. Please refer to VVS paragraph 129 (c)-130 and the "Tool for the demonstration and assessment of additionality" (Version 07.0.0) paragraphs 61- 62".*

In order to clarify the demonstration of the Common Practice Analysis, the validation team would like to confirm that, in 18 other similar registered project activities located in Peru, the same analysis under VVM track has been approved by the UNFCCC. Since the email from UNFCCC refers to paragraph 129 and 130 of the VVS (2.0.0), AENOR validation team has studied whether the description of the common practice analysis shows any significant change from VVM scheme. As it is described in the following table, both descriptions are basically the same, except some minor changes in the wording of the paragraphs, therefore AENOR validation team considers that the Common Practice Analysis and the assumptions made in this report and in the previously registered projects are valid under both schemes:

DEVELOPMENT MECHANISM VALIDATION AND VERIFICATION MANUAL	STANDARD CLEAN DEVELOPMENT MECHANISM VALIDATION AND VERIFICATION STANDARD
<i>(e) Common practice analysis</i>	7.12.13. <i>Common practice analysis</i>
<p><i>(i) Requirement to be validated</i></p> <p>119. <i>For proposed large-scale CDM project activities, unless the proposed project type is first-of-its kind, common practice analysis shall be carried out as a credibility check of the other available evidence used by the project participants to demonstrate additionality. This is a test to complement the investment analysis (Step 2 of the additionality tool) or barrier analysis (Step 3 of the additionality tool) to confirm that the project activity is not widely observed and commonly carried out in the region</i></p>	<p>7.12.13.1. <i>Validation requirement</i></p> <p>128. <i>For proposed large-scale project activities, unless the proposed project type is first-of-its-kind as determined in accordance with the relevant guidelines, the DOE shall assess whether the project participants have conducted a common practice analysis.</i></p>
<p><i>Means of validation</i></p> <p>120. <i>The DOE shall use its local and sectoral expertise to:</i></p> <p><i>(a) Assess whether the geographical scope (e.g. the defined region) of the common practice analysis is appropriate for the assessment of common practice related to the project activity's technology or industry type. For certain technologies the relevant region for assessment will be local and for others it may be transnational/global. If a region other than the entire host country is chosen, the DOE shall assess the explanation why this region is more appropriate;</i></p> <p><i>(b) Using official sources and local and industry expertise, determine to what extent similar and operational projects (e.g. using similar technology or practice), other than CDM</i></p>	<p>7.12.13.2. <i>Means of validation</i></p> <p>129. <i>The DOE shall use official sources and its local and sectoral expertise to:</i></p> <p><i>(a) Assess whether the geographical scope (e.g. the defined region) of the common practice analysis is appropriate for the assessment of common practice related to the project activity's technology or industry type. For certain technologies, the relevant region for assessment will be local and for others it may be transnational/global. If a region other than the entire host country is chosen, the DOE shall assess the explanation of why this region is more appropriate;</i></p> <p><i>(b) Determine to what extent similar and operational projects (e.g. using similar technology or practice), other than project</i></p>

<p><i>project activities, have been undertaken in the defined region;</i> <i>(c) If similar and operational projects, other than CDM project activities, are already "widely observed and commonly carried out" in the defined region, assess whether there are essential distinctions between the proposed CDM project activity and the other similar activities.</i></p>	<p><i>activities, have been undertaken in the defined region;</i> <i>(c) Assess, if similar and operational projects, other than project activities, are already "widely observed and commonly carried out" in the defined region, whether there are essential distinctions between the proposed project activity and the other similar activities.</i></p>
<p><i>(iii) Reporting requirements</i> <i>121. The validation report shall provide details regarding:</i> <i>(a) How the geographical scope of the common practice analysis has been validated;</i> <i>(b) How the DOE has undertaken an assessment of the existence of similar projects;</i> <i>(c) How the DOE has assessed the essential distinctions between the proposed CDM project activity and any similar projects that are widely observed and commonly carried out;</i> <i>(d) Confirmation by the DOE that the proposed CDM project activity is not common practice.</i></p>	<p><i>7.12.13.3. Reporting requirements</i> <i>130. The DOE shall:</i> <i>(a) Describe how the geographical scope of the common practice analysis has been validated, considering the technology or industry type to which the project activity belongs;</i> <i>(b) Describe how it has undertaken an assessment of the existence of similar projects;</i> <i>(c) Describe how it has assessed the essential distinctions between the proposed project activity and any similar projects that are widely observed and commonly carried out;</i> <i>(d) Confirm whether the proposed project activity is not common practice.</i></p>

In opinion of the validation team, the description of the situation pre and post 2004 reflects a clear change in the legal investment situation regarding the electricity generation sector. Laws approved after 2004 have a clear impact in the investment decisions of the Private Investors. This situation has a clear reflect checking how the technology distribution of the installed capacity developed after this year has changed. Table 9: *Additions to the SEIN from 2004 to 2010* of the PDD shows the type and date of commissioning of the power plants since 2004 (excluding CDM projects as per the UNFCCC requirements). In the table it can be observed that 93% of the installed plants since 2004 are thermal/fossil, the percentage in terms of installed capacity is 99.8% of the installed capacity (MW) is thermal/fossil, since the approval of the mentioned laws in 2004.

AENOR validation team has analyzed how the investment climate can impact in the investment decision in a specific technology. The investment climate can be modified by two driving forces:

- a.- This specific technology of the project assessed is favored/handicapped by a change in the legislation, and therefore the investment decision has to include this new scenario in the investment analysis.
- b.- An alternative technology (different from the assessed project) is favored/handicapped by a change in the legislation, and therefore the investment decision has to take into consideration the financial returns under the new scenario for both technological solutions (the assessed project and the alternative).

In both cases, directly or indirectly, the changes in the regulation modify the previous conditions and therefore the investment decisions have to include the result of this new situation.

The year 2004 is deemed as a milestone of the Peruvian electricity system. AENOR could confirm that after the first natural gas project was developed in 2004, the government issued the

following laws DS 019-2004-EM on 25 June 2004, DS 041-2004-EM on 24 November 2004; and DS 107-2004-EF on 05 August 2004; to promote natural gas-fired electricity generation and to exempt the selective consumption tax to natural gas. These three laws were aimed at making natural gas a more competitive alternative for power generation.

Year 2004 is the date of the commissioning of the natural gas of Camisea¹ which introduce to the energy sector a new cheap source of energy supported by the government through the mentioned normative changes, which clearly change the balance between technology and financial return for the investor's perspectives.

A public declaration in August 2005, the Minister of Energy and Mines asserted the need to encourage the use of natural gas in all activities including electricity generation in order to offset rising oil prices. For this purpose, the Council of Ministers created a commission to prepare a strategic plan proposing a series of measures to further promote the use of natural gas. As part of this strategy, on 29 December 2005, the government issued the decree on cogeneration, DS No. 064-2005-EM, encouraging simultaneous generation of heat and electricity using natural gas.

Therefore, projects developed after 2004 face a different investment climate due to the availability of inexpensive natural gas and promotion policies of the government, which have made the use of this fuel in generating electricity more feasible, generating significant investments in the installation of new power thermal plants since then. The investment climate for the potential investors in the Energy generation system was clearly changed.

Until 2004 all types of generation technologies were treated under a common legal scheme, the same laws ruled all the technologies. In this situation, the investor only had to study the technical and financial aspects of the potential project attending to the specific characteristics of the technology, because no interferences, such as tax exemptions, improved investment conditions, etc, were expected. This situation was altered in 2004, when technologies such as hydro power plants, were in clear disadvantage against thermal fossil generation (NG), which was a technology that was clearly favored by the new legislation. In this line, although the specific regulation for the hydro power technology was not modified, the real consequences of the new regulation were that private investors found very much profitable those alternatives more carbon intensive, such as natural gas based generation. This situation confirm that year 2004 is the key year in relation with the investment climate in energy sector in Perú, since the treatment for the potential technologies were different as a consequence of the approved laws.

More stable technologies but more carbon intensives were favored against less emitting technologies but more unpredictable, such as hydroelectric generation.

¹ The Camisea Gas Project extracts and transports natural gas originating near the Urubamba River in central Peru, the San Martín Reservoir.

As per the justification above AENOR validation team considers that the information and the reporting are in line with Paragraphs 129 and 130 of the VVS (2.0.0).

Additionally AENOR validation team has checked other similar projects in Peru, such as Project "8 de Agosto" (no Ref 8204) submitted for registration 5 days before the submission of project activity "Olmos 1 Hydroelectric Power Plant " (Ref. no. 7351). Common practice analysis in both projects is supported by the same assumptions, and the project Ref N° 8204 was registered without any problem during I&R check and without any request for review.

As per the Request for Review "(...)Please refer to VVS paragraph 129 (c)-130 and the "Tool for the demonstration and assessment of additionality" (Version 07.0.0) paragraphs 61- 62". Please find below a table to clarify timeline of the project activity.

Item	Date
Initial Submission: request for registration of the proposed project activity "Olmos 1 Hydroelectric Power Plant" was received.	2012/19/09
I& R: Incomplete: Request For Registration Incomplete for "Olmos 1 Hydroelectric Power Plant" - Ref No. 7351:	2012/12/11
Resubmission: Email confirming that the DOE had resubmitted a request for registration of the proposed project activity "Olmos 1 Hydroelectric Power Plant" in response to queries during the secretariat's completeness check	2012/20/11

AENOR validation team considers that reference to methodological tool version 7.0.0. mentioned in the text of the Request for Review, could be a typo, since this *version* of the tool was approved after the resubmission of the project activity. As per the EB Meeting (EB 70) the methodological "Tool for the demonstration and assessment of additionality" Version 07.0.0 was published on 23 November 2012 (EB 70, Annex 8), three days after the Resubmission. Therefore at the date of the Resubmission version 6.0.0 of the *Methodological Tool for the demonstration and assessment of additionality*, was still applicable and valid. This version of the tool was applied and described in the validation report and the PDD.

Due to these considerations AENOR validation team deems proved that the project activity is not common practice as per the VVS paragraph 129 (c)-130 and the "Tool for the demonstration and assessment of additionality" (Version 6.0.0) , and in particular, the year 2004 constitutes a change in "investment climate" for the implementation of hydropower plants, considering that circumstances and regulations applicable to hydropower projects and competitive technologies, such as (fossil thermal generation) has been justified and backed up by evidences from public and official sources.