

CDM-PA10197-RULE01

Ruling note

Request for registration for “Small Hydro Power Plant Ernestina CEEE”

Version 01.0



United Nations
Framework Convention on
Climate Change

1. The CDM-Executive Board decided to reject the proposed project activity on 18 July 2017, in accordance with the "CDM project cycle procedure" (PCP), version 09.0, paragraphs 111 and 117. Further, in accordance with paragraph 118 of the PCP, the ruling shall contain an explanation of the reasons and rationale for the final decision, which are as follows:
 - a) The DOE (PJRCEs) failed to substantiate the suitability of electricity tariff used in the investment analysis in line with "CDM validation and verification standard" (VVS), version 09.0, paragraphs 129 (a)-(c).
2. The relevant requirements are:
 - a) VVS version 9.0, Paragraph 129 (a) (b) (c) states that:
 - i) The DOE shall determine the suitability of the financial indicator selected by the project participants and conduct a thorough assessment of all parameters and assumptions used in calculating such financial indicators, and determine the accuracy and suitability of these parameters using available evidence and applying its expertise in relevant accounting practices;
 - ii) Cross-check the parameters against third-party or publicly available sources, such as invoices or price indices;
 - iii) Review, as appropriate, feasibility reports, public announcements and annual financial reports related to the proposed CDM project activity and the project participants;
3. The reason and rationale for the final decision is as follows:
 - a) The DOE did not provide any rationale to justify the revision of tariff from R\$141.93/MWh in the GSC-PDD, version 01 to R\$67.31/MWh in the latest PDD, version 5.3 as the tariff (R\$67.31/MWh) used in the investment analysis is sourced from a press release which provided reference to a large-scale hydro power plant with a capacity of 2,120 MW. Further, the DOE also failed to substantiate how the revised tariff (R\$67.31/MWh) is applicable to the proposed project activity (14.40 MW). With the application of original tariff of R\$141.93/MWh (as compared to R\$67.31/MWh used in the investment analysis), the IRR of the project activity crosses the WACC benchmark, indicating that the project activity is not additional.
4. In accordance with paragraph 42 of the CDM Modalities and Procedures Decision 3/CMP.1), if the project participant wish so, this project activity may be resubmitted for validation and registration provided it meets the requirements for validation and registration.

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Document information

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01.0	6 October 2017	Initial publication. Related to CDM project cycle procedure, version 09.0 (CDM-EB65-A32-PROC) (Paragraphs 111 & 117).

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