

	CDM: Response form for Request for revision of approved methodologies (version 01.1)
Date of Meth Panel meeting:	02 - 06 March 2009
Title and number of Request for revision	Revision for baseline definition for power plant and baseline emissions from electricity generation AM_REV_0137
Summary of the query: Please use the space below to summarize the request for revision on the related approved methodologies.	
<p>The methodology AM0058, “Introduction of a new primary district heating system”, is applicable to project activities that introduce a new primary district heating system to supply heat to residential and commercial consumers, where the heat comes either (i) predominantly from a cogeneration plant, CHP, and the project may also involve the introduction of new modern heat only boilers to supplement heat from the CHP; or (ii) from heat only boilers, in which case the project boundary includes only existing buildings.</p> <p>Equation (6) of AM0058 includes the parameter $EG_{max,his}$ as a cap for the baseline emissions related to the electricity generation from the grid-connected power plant, from which the heat is extracted for the project activity. $EG_{max,his}$ is defined as: <i>the maximum historical annual amount of electricity generated over the three most recent years prior to the start of the project activity.</i></p> <p>The underlying project activity related to this request for revision, “Qiqihar city Central Urban District (District A) Centralized Heating system project”, consists of the installation and operation of a district heating network that will purchase heat from a recently commissioned grid-connected power plant. In this case, when the district heating network starts operation in October 2009, the grid-connected power plant would be in operation only for 24 months. Therefore, as only two years of historical data will be available for the power plant, instead of the three years required by the methodology, the current version of AM0058 is not applicable to this project activity.</p> <p>Project proponents argue that:</p> <ul style="list-style-type: none"> • The fossil fuel power plant was constructed independently of the project activity, by a company unrelated to the developers of the CDM project; and • A two years period of historical data underestimate baseline electricity generation and therefore is conservative. <p>In that order, the present request for revision of AM0058 intends:</p> <ul style="list-style-type: none"> • To extend the applicability of this methodology to project activities that extract the heat from grid-connected power plants with less than three years of historical data available, i.e. between 1 and 3 years; and • To allow the use of the manufacturer’s specification of efficiency at optimum load for the grid-connected power plant, as the alternative to estimate the parameter $\eta_{BL,EL}$ in the calculation of the baseline emission factor for the electricity production, $EF_{BL,EL}$, if less than three years of historical data is available. <p>Project proponents have already presented this case for the consideration of the Meth Panel at the MP35 and the MP36, via AM_REV_0119 and AM_CLA_0138 respectively.</p>	

Recommendation by the Meth Panel:

(a) Please use the space below to provide amendments /changes (in your expert view, if necessary).

Not applicable.

(b) Please use the space below for providing guidance, as per Para 93 of EB25 Report, on what type of projects need to revise the PDD as a consequence of the suggested revision, if the recommendation is to revise the methodology.

Not applicable.

Answer to authors of the request for revision by the Meth Panel :

Please use the space below to provide an answer to the authors of the above query

The recommendation is not to approve this request for revision.

The Meth Panel would like to highlight that the requirement of the “three years of historical data”, capping the power generation for the calculation of baseline emissions, is not only related to the technical implications of the project activity on the existing power plant, that may result in an increase of the power generated in contrast to the baseline, but also related to the baseline identification and the assessment of the additionality for the project activity.

The aim of AM0058 is to implement primary district heating systems that extract the heat from existing grid-connected power plants. It is not the aim of this methodology to implement new grid-connected cogeneration plants. AM0058 does not include the required provisions to identify the baseline scenario and calculate emission reductions for both type of services (electricity and heat), and assess the additionality of such type of projects. The 3 years historical data is then one of the means to demonstrate that the extraction of the project heat from the power plant was not planned since the conception of the power plant. This is in line with the response to project proponents in AM_CLA_0138.

If the power plant was conceived to extract heat to cover the total heat requirement under the project scenario, then AM0058 is not applicable because the project is the production of heat and electricity under a cogeneration mode for supplying the heat to the project activity. This would be the case even if during the first two years of operation of the power plant the heat, that can potentially be extracted from the power plant, is not utilized. The methodology should ask in this case for the identification of the baseline scenario for the electricity generation and consequently this should be included in the additionality assessment. The request ignores this aspect and only tries to demonstrate that the heat extraction under the project activity has not been planned at the construction of the power plant, for cases where the heat starts to be extracted in a period of less than 3 years after the start of operation of the power plant.

Furthermore, it has to be taken into consideration the fact that the AM0058 is not applicable to project activities that generate less electricity than in the baseline scenario due to the extraction of heat. The heat should be extracted while the electricity generation is kept constant. Therefore, the methodology is conservative requiring three years data of electricity generation to ensure that the power plant has reached its normal operating condition. Otherwise, the project activity can lead to a diversion of heat that would have been used for electricity generation in the baseline scenario, if after two years the project has not reached its full electricity generation capacity under normal operating condition. In this sense, to allow a shorter time of operation of the power plant, before the implementation of the project, is not necessarily conservative because only the additional heat produced compared to the baseline scenario, at the generation capacity of the baseline scenario, would be considered. The increase in the generation capacity reduces the possibility of heat production for the project.

In the case that at the design of the power plant there was no provision for heat extraction other than the one under the baseline scenario and AM0058 is applicable, additionality should be demonstrated through, for example, the low profitability of the project by comparing the investment cost (without the power plant cost because it is not part of the project) and the difference of revenues in the project scenario (from heat and electricity sales) and in the baseline scenario (from electricity sales).

Based on the previous discussion, the modifications proposed by the project proponents to the methodology AM0058 are considered as rather simplistic and they do not address the issues related to (i) the risk of diversion of energy that would have been used in the absence of the project activity to generate electricity, and that is now used for heat generation in the case that the power plant has not reached its full power generation capacity after 2 years of operation; and (ii) the need to address the baseline identification and additionality issues for new grid-connected plants.

In case that the project proponents wish to implement a district heating system including the construction of a new grid-connected cogeneration plant, the project proponents are advised to submit a new methodology, addressing the issues mentioned above instead of revising AM0058. While preparing a new methodology, project proponents are also advised to refer to the Meth Panel's response to AM_REV_0132.



Signature of Meth Panel Chair

Date: 06/03/2009

(Philip Gwage)



Signature of Meth Panel Vice-Chair

Date: 06/03/2009

(Pedro Martins Barata)

Information to be completed by the secretariat

F-CDM-AM	AM_REV_0137
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