



CDM: Recommendation Form for Small Scale Methodologies (version 01)

(To be used for presenting questions/proposals/amendments to the simplified methodologies for small-scale CDM project activity categories)

Date of SSC WG meeting:	16–19 June 2009, SSC WG 21
Title/Subject (give a small title or specify the subject of your submission, maximum 200 characters):	Revision of AMS-III.Q to allow new captive power plant in the baseline scenario
Indicative methodology to which your submission relates (refer the items of Appendix B of the Simplified Modalities and Procedures), if applicable.	AMS-III.Q version 02
Name of the authors of the query:	<p>Takeshi Miyata</p> <p>Institution: Mitsubishi UFJ Securities Co., Ltd.</p> <p>miyata-takeshi@sc.mufg.jp</p>

Summary of the query:

Please use the space below to summarize the query related to SSC methodologies/categories SSC Modalities and Procedures provide recommendation/analysis of the SSC WG.

Original text from PP:

We would like to request a revision to AMS III Q ver.2 as proposed below.

The proposed project activity involves installation of a new captive power plant in which steam will be partially generated from Waste Heat Recovery Boilers (WHRB) and partially from a fossil fuel based Circulating Fluidized Bed Combustion (CFBC) boiler. Electricity generated through the WHRBs will be considered emission free and will replace equivalent electricity that would have been generated using fossil fuels.

Our proposed change in the methodology is to add a new captive power plant as a possible baseline scenario.

For this project we previously submitted a Request for Revision (SSC 275) and received the following comments at the SSC WG 19th :

“The SSC WG agreed to clarify that in principle the applicability of AMS-III.Q can be broadened to include new captive power plant in the baseline in the existing facility. However, the SSC WG noted that the current version of the methodology does not provide guidance on determining baseline fuel/scenario. As an example, no guidance is provided to demonstrate that the baseline is not the grid (e.g. due to its poor reliability), but a hypothetical captive plant that would have been built in the absence of the project activity.

The project proponent may consider submitting a request for revision considering elements from

ACM0012 and including guidance specifying situations under which the grid cannot be considered as the baseline although the plant is grid connected.”

Based on these comments, we therefore propose a more detailed treatment of the baseline determination. The amendments of the baseline determination are taken from ACM0012, which also allows for the possibility of new captive power plants as the baseline scenario. The highlighted portion of the SSC WG comments are not specifically addressed in the revised methodology, however, our approach is the same as that of ACM0012. Further, in the accompanying PDD, we conduct a detailed analysis of the conditions under which the grid cannot be considered as the baseline, for this project. We did not believe it was appropriate to specify guidance for a small-scale methodology which goes beyond the requirements of the approved consolidated regular scale methodology. We trust that this approach is considered by the SSC WG to be sufficiently rigorous.

The Project developer operates a sponge iron plant and currently imports required electricity from the grid. However, due to recent economic growth in the region, the grid is experiencing blackouts and brownouts, affecting operations of the developer. Due to this, the developer has made a decision to become completely independent from the grid by installing a 20MW captive power plant, which will be just enough to provide all the necessary power needed for their operations.

The Project involves installation of a 20MW power generation unit with a CFBC boiler (capacity of 75 TPH) together with three WHRBs (total capacity of 30.5 TPH), which will utilize waste heat from the Direct Reduction Iron (DRI) kilns at the project site. Due to limited heat availability and load factor of the WHRBs, the CFBC will serve as the primary boiler, providing over 88% of required steam, while WHRBs will be considered secondary, providing the remaining 12%.

Since for the project developer, generation of the required steam through a larger CFBC boiler with a capacity of 85 THP (and no WHRBs) is a more economically attractive proposition than to develop the Project, in the absence of the proposed CDM project activity (a smaller CFBC boiler with a capacity of 75 TPH and three WHRBs) the developer would build a larger CFBC boiler with a capacity of 85 TPH. Therefore, the CFBC boiler with a capacity of 85 TPH should be considered as the baseline, while power generated from the WHRBs under the Project activity will reduce emissions that would have been emitted from the 85 THP capacity CFBC in the baseline.

However, the current methodology AMS-III Q Ver. 2 does not allow a new captive power plant to be the baseline, as equation (2) includes only existing captive power plants. Considering the fact that the ACM0012 ver. 3.1 equation (1a-11), which is same as the equation (2) of the AMS-III Q ver.2, can be applied for a new captive power plant, it is reasonable to amend the AMS-III Q ver. 2 to allow new captive power plants. In addition, paragraph 9 should be amended to include new captive plant, accordingly. Finally, in order to provide clear guidance on determining the baseline, where the baseline is different from the current practice, 3 step baseline selection process have been added to the methodology. However, this only need be applied when the baseline is different from current practice, so projects which use current practice as the baseline can continue to use the simplified baseline approach in AMS-III.Q Ver.2.

For proposed changes, please refer to the attached methodology.

Recommendation by the SSC WG:

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

Please refer to paragraph 15 of the meeting report of the SSC WG 21
(http://cdm.unfccc.int/Panels/ssc_wg).

Answer to authors of query by the SSC WG:

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

The small-scale working group of the CDM Executive Board would like to thank the author for the submission.

The SSC WG agreed not to recommend the revision of the methodology to include a hypothetical captive power plant as the baseline.

In the existing framework of the approved methodology AMS-III.Q, all the baseline conditions for waste heat/energy/pressure are intended for existing facilities where the project activity is implemented, whilst the submission is to introduce a hypothetical baseline.

The SSC WG noted that the proposed revision does not address the key issue in the baseline scenario determination on how to demonstrate that, in the absence of the CDM, the electricity will not be supplied by the grid, but a new hypothetical captive plant would have been installed.



Signature of SSC WG Chair

(Hugh Sealy)

Date: 19/06/2009



Signature of SSC WG Vice-Chair

(Peer Stiansen)

Date: 19/06/2009

Information to be completed by the secretariat

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