



**CDM: Response form for request for clarification on
Approved Methodologies
(version 01.1)**

<i>Date of Meth Panel meeting:</i>	09 - 13 August 2010
<i>Title and number of request for clarification</i>	<p>“Clarification on:</p> <ul style="list-style-type: none"> • The reference in time with regard to sample group of similar power plants; • Clarification on the term cogeneration with respect to the benchmark sample group; • The appropriate financial indicator for baseline determination (levelized cost or IRR); • The definition of “main fuel” and “start up/auxiliary fuel” to be applied; • Implication of the singular and plural form of terms with regard to “fossil fuel type” and “fossil fuel category”; • Reference to paragraph 48 of the CDM modalities and procedures”; <p>AM_CLA_0188</p>

Summary of the query:

Please use the space below to summarize the request for clarification on the related approved methodologies.

The approved consolidated methodology ACM0013, “Consolidated baseline and monitoring methodology for new grid connected fossil fuel fired power plants using a less GHG intensive technology”, is applicable to project activities that result in the construction and operation of a new fossil fuel fired power plant connected to the grid that uses a more efficient power generation technology than what would otherwise be used with the given fossil fuel.

In the present request, the project proponents seek clarification on the following aspects:

1.- For the calculation of the baseline emissions, the methodology requests the use of historical data as presented below:

*“The sample group of similar power plants should consist of all power plants (except for cogeneration power plants). [...] • That have been constructed in the **previous five years**”;* and

*“The average emissions intensity of all power plants j, corresponding to the power plants whose performance is among the top 15 % of their category, using data from the **most recent year** prior to the start of the project activity”*

Question: What is the point in time to be used as reference when the methodology requests historical data for baseline emissions calculation (e.g. date of the start of project activity, date of submission of PDD, date of commissioning of project activity, other)?

2.- For the determination of the emissions benchmark, the methodology requests to use the average emissions intensity from the top 15% best performing power plants of their category, excluding cogeneration plants.

Question: In the case that the project activity is the construction of a single cycle natural gas power plant, should the existing combined cycle power plants in the region be considered as cogeneration plants and, consequently, be excluded from the benchmark calculation?

3.- In the step 2 of the section for the identification of the baseline scenario, the methodology states that:

*“The **levelized cost of electricity production** in \$/kWh should be used as financial indicator for investment analysis”;*

However, it is also mentioned in the same section that:

*“The CDM-PDD submitted for validation shall present a clear comparison of the financial indicator for all scenario alternatives. The baseline scenario alternative that has the best indicator (**e.g. the highest IRR**) can be pre-selected as the most plausible baseline scenario”.*

Question: What is the financial indicator to be used for the identification of the baseline scenario (i.e. the levelized cost of electricity production or the IRR)?

4.- The methodology does not provide any differentiation between the main fuel used in the project power plant and the auxiliary or start-up fuels used in the same power plant.

Question: Should the same provisions as in AM0087, for auxiliary and start-up fuels, be applied in ACM0013? i.e. *“Small amounts of other start-up or auxiliary fuels can be used, but they shall not comprise more than 3% of total fuel used annually, on an energy basis”.*

5.- In the case of the underlying project activity, the project power plant uses natural gas and diesel (> 3%) as fuels. Furthermore, other similar power plants connected to grid in the region use natural gas, diesel and fuel oil in the same unit as fuel.

Questions:

- 5.1- For the case described above, should the benchmark sampling group consist of power plants that use: (i) exactly the same fuel types as the project activity, (ii) one or more fuel within the same category, or (iii) other option?
- 5.2 - Is ACM0013 v.3 applicable to project activities that uses coal and biomass as main fuel?

6.- The methodology requests to determine the emissions benchmark from the top 15% best performing power plants in their category. However, in the selected approach from the paragraph 48 of the CDM modalities and procedures, it is referred to: *“The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category”.*

Question: Therefore, what level is to be used for the determination of the emissions benchmark, i.e. 15% or 20%?

For further details on the submission, please refer to:

<https://cdm.unfccc.int/UserManagement/FileStorage/E5J3KL9NHCFTX4Z0YIWUB8VP1DSG6Q>

Recommendation by the Meth Panel:

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

Not applicable.

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

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

Response to 1.-

The Meth Panel clarifies that the referential point in time for historical data, required for the baseline emissions calculation, is the date of submission of the PDD for validation of the project activity, for which the required data from the power plants to be included in the sample group is available. In any case, this date cannot be before than 2 years prior to the date of submission of the PDD for validation of the project activity.

Response to 2.-

The Meth Panel clarifies that the benchmark emission factor shall be determined based on the performance of the top 15% power plants, which use the same fuel category as the project plant and any technology available in the geographical area. In the case of cogeneration plants, two different types of services are provided to end-users, i.e.: (i) electrical energy and (ii) another form of useful energy (such as heat or steam) not used for electricity generation, through the conversion of a common energy source.¹ In the case of a combined cycle power plant, only one type of service is provided, i.e. electrical energy, with a higher performance efficiency due to the recovery of heat.

The information above allows to infer that, a combined cycle power plant provides the same type of service as the project activity (i.e. electricity only) and, furthermore, the combined cycle type of technology is available to the project proponents. Hence, the combined cycle power plants connected to the grid, in the geographical area, are to be included in the calculation of the baseline emissions benchmark.

Response to 3.-

The Meth Panel clarifies that *the levelized cost of electricity production* is to be used as the financial indicator as per the methodology.

Response to 4.-

The Meth Panel clarifies that the methodology does not provide any indication or provision concerning auxiliary or start-up fuel. Therefore, the panel agreed to recommend to the Board a revision of the methodology in order to include this provision in line with the approved methodology AM0087.

Response to 5.1 -

The Meth Panel clarifies that the sampling group shall consist of power plants that use the same fuel category (i.e. LIQUID fuels -Crude oil and petroleum products-; SOLID fuels -Coal and coal products-; GASEOUS fuels -Natural Gas-) as the project power plant.

The panel also agreed to recommend to the Board a revision of the methodology in order to clarify that the methodology ACM0013 is neither applicable to multi-fuel nor co-firing power plants. Hence, a natural gas power plant cannot be compared against multi-fuel power plants that during their operation use two or more categories of fuel, e.g. natural gas (gaseous) and diesel (liquid), except when the other fuel categories are only used for start-up or auxiliary purposes and less than 3% of the total annual fuel consumption on energy basis.

Response to 5.2 -

The Meth Panel clarifies that the methodology is applicable to new fossil fuel fired electricity generation plants connected to the grid. Therefore, biomass fired power plants or coal/biomass co-fired power plants are not applicable to the methodology.

¹ This is consistent with the definition of cogeneration provided by the U.S. Energy Information Administration (EIA) in its Glossary of Energy Terms, available at: <http://www.eia.doe.gov/glossary/>

Response to 6.-

The Meth Panel clarifies that the emissions benchmark is to be calculated from the top 15% best performing power plants in their category, as it is clearly requested in the methodology.

Signed by the Chair, Mr. Lex de Jonge

Date: 13/08/2010

Signed by the Vice-Chair, Mr. Philip Gwage

Date: 13/08/2010

Information to be completed by the secretariat

F-CDM-AM	AM_CLA_0188
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