



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

<i>Date of Meth Panel meeting:</i>	7 - 11 March 2011
<i>Title and number of request for clarification</i>	Clarification for the project implemented by other entity under a tendered Build, Own and Operate (BOO) Scheme AND the tender organizer/ promoter is the project participant and owns the CERs AM_CLA_0194

**Summary of the query:**

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

The approved consolidated methodology AM0029, “Baseline Methodology for Grid Connected Electricity Generation Plants using Natural Gas”, is applicable to project activities that construct and operate a new natural gas fired grid-connected electricity generation plant.

In this request, the project participants describe a situation where two parties are involved in the implementation of the project activity: (1) the company that builds, owns and operates (BOO) the project plant, and (2) the power utility, i.e. National Electric Power Company (NEPCO), that purchases the electricity produced by the project plant. It is also claimed that the NEPCO is the only CDM project participant as the CERs would be solely owned by the NEPCO to be used to leverage the additional costs of sourcing electricity from the project plant, in conformity with the power purchase tender scheme. The BOO company is not a project participant according to this request.

With this background, the project participants seek clarification on how to perform an investment analysis to demonstrate additionality, in cases where the CDM project participant is not the project plant builder, owner, and operator, but the power purchasing company that, in accordance with the request, has full discretion on whether the type of project to be implemented is a natural gas power plant or other available less costly alternative.

***Specific queries from project participants:***

1.a.- When all relevant project contracts make it clear that the CDM revenues benefit the electricity off-taker (and not the project owner), and the electricity off-taker has the power to induce the development of a variety of electricity sources (such as state-owned NEPCO in Jordan), is it possible to assess the additionality using indicators such as the levelized cost of electricity, IRR or NPV, from the off-taker perspective, taking into consideration the currently applicable methodologies, tools and guidance?

1.b.- NEPCO, the state-owned company, is the only project participant. As per the CDM glossary of terms, “(b) a private and/or public entity authorized by a Party involved to participate in a CDM project activity”. Also, the project participants consider NEPCO a public entity and we would like to confirm/clarify the definition that a public entity is one of the following options:

- A company that has its capital (Equity) negotiated in the market as stocks/shares;
- A company that is owned by a government.

2.- We kindly request the Meth Panel to confirm/clarify that if the identification of the economically most attractive baseline scenario alternative (according to AM0029, the project participants should identify the most economically attractive baseline scenario) for the Amman East project (currently under validation), this should be demonstrated from the off-taker perspective who happens to be the project participant and sole CER owner (for instance, using the levelized cost of electricity), and not from the project owner perspective who is not a project participant and does not own the CERs.

3.- We kindly request the Meth Panel to confirm/clarify that if the off-taker is able to monitor all parameters required (even if the off-taker does not have full access to the project plant), by the methodology applicable to the project (AM0029 version 3) and it has been agreed between the project owner and electricity off-taker that the facility will be open for all future periodic verifications site visits, as it was for the validation site visit, then the project boundary should remain the same as defined in the applicable methodology.

#### **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 from the panel to query 1.a:

The Meth Panel clarifies that the approved methodology AM0029 does not exclude project activities implemented under the B.O.O scheme (or similar schemes such as BOT). However, the Meth Panel also clarifies that the analysis for additionality demonstration is to be performed from the perspective of the investor of the project plant following the guidance provided in the methodology and the 'Tool for the demonstration and assessment of additionality'.

In accordance with the provisions included in the methodology, a benchmark analysis should be performed using the appropriate financial indicator to be compared against the financial benchmark. However, the levelized cost of electricity is an indicator of investment comparison analysis. Therefore, the Meth Panel clarifies that the levelized cost of electricity should not be used for the purpose of benchmark analysis.

##### Response from the panel to query 1.b:

The panel clarifies that the current definition of project participant does not exclude the intended project participant.

##### Response from the panel to query 2.:

Please refer to response to query 1a.

##### Response from the panel to query 3.:

The panel clarifies that AM0029 does not take a position on specific arrangements among and between project participants vis-à-vis monitoring requirements. The project participants should ensure monitoring requirements in the methodology are fully complied with.

Signed by the Chair, Mr. Philip Gwage

Date: 11/03/2011

Signed by the Vice-Chair, Lex de Jonge

Date: 11/03/2011

Information to be completed by the secretariat	
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