

Response to RfR- deadline 29<sup>th</sup> August:

1. The DOE is requested to clarify the project description by explaining:  
a) the on-site heat/ electricity demand, how it is met and how much electricity is exported in:

- i) the pre-project scenario,
- ii) the baseline, and
- iii) the project scenario;

and

b) the amount of bagasse consumed in:

- i) the pre-project scenario,
- ii) the baseline, and
- iii) the project scenario. In doing so, please refer to VVM version 1.2 paragraph 59.

Addressed in VR section 3.4.

2. The DOE is requested to explain how it has validated:

- a) the bagasse price; and
- b) inclusion of bagasse cost in the project IRR calculation to be appropriate, considering that it is generated at the sugar mill. In doing so, please refer to VVM version 1.2 paragraph 111.

Addressed in VR section 3.6.3.

3. The DOE is requested to further substantiate the amount of electricity exported, in particular:

- a) the difference between the installed capacity (26.75MW) and the export capacities (peak season: 21.78 MW, off-peak season: 24.08MW);
- b) if any of the electricity generated is used at the sugar mill and if the savings made from it can be accounted as revenue; and
- c) the amount of heat extracted in the extraction mode during the peak season, how it would be supplied in the baseline, and if the savings made from it can be accounted as revenue. In doing so, please refer to VVM version 1.2 paragraph 111.

a) Addressed in VR section 3.4.

b) Addressed in VR section 3.4 under the Electricity.

c) Addressed in VR section 3.4 under the Heat.

4. The DOE is requested to explain how it has validated the O&M costs and the administration costs by providing validation of the source used ("certificate from sugar industry experts") and the suitability of the values. In doing so, please refer to VVM version 1.2 paragraph 111.

Addressed in VR section 3.6.3 in the table.

5. The DOE is requested to justify the inclusion of cost of financing (interest on the working capital) in the project IRR calculation. In doing so, please refer to EB 51 annex 58 paragraph 9.

Justified here, no changes made in VR.

The goal of working capital is to ensure that the project is able to operate and that it has sufficient cash flow to service long term debt, and to satisfy upcoming operational expenses. Working capital is thus used in the operation of the project

and hence the interest accrued on it is an expense to the business. The working capital loan is not a part of the project investment loan and hence not included in the project investment cost of IDC (interest during construction) therefore there is no double counting involved. Inclusion of interest on working capital in the project IRR calculation does not violate paragraph 9 of annex 58, EB 51, which is concerned with the double counting of the term loan for financing the project investment cost. Hence the working capital is not a cost of financing expenditures and is correctly included in the IRR calculations.

6. The DOE is requested to substantiate how it has validated the common practice analysis, in particular the essential distinctions between the proposed project activity (tariff: INR 2.86/kWh) and the five similar projects identified (tariff: INR 2.25/kWh). In doing so, please refer to VVM version 1.2 paragraph 120 (c).

Justified here, no changes made in VR.

A detailed response on the analysis of similar plants was provided at the stage of incompleteness check. From this five projects were identified that were commissioned between 2002 and 2005 without CDM but were commissioned under a different PPA structure. The tariff order determining the PPAs for these five projects is <http://www.uperc.org/olduperc/captivedir.htm>.

This specifies a tariff of Rs 2.25/kWh with a 5% escalation, which would yield the following prices. As can be seen from the comparison with the price of the project activity these are much higher for the equivalent years and therefore one concludes there is a distinct and essential difference in the policy environment in which the projects are commissioned and hence makes these 5 project non-comparable for the purpose of common practice.

Year	Rs/kWh
1999/00	2.25
2000/01	2.36
2001/02	2.48
2002/03	2.60
2003/04	2.73
2004/05	2.87
2005/06	3.02
2006/07	3.17
2007/08	3.32
2008/09	3.49
2009/10	3.67
2010/11	3.85
2011/12	4.04

7. The DOE is requested to explain how it has validated the baseline emissions, in particular:

a) the net power generation by the project activity, reported as 106,315 MWh/year based on 26.75MW, 230 days/year, while the net power generation in the investment analysis is assumed as 83,934 MWh based on 21.78MW (180 days/year) and 24.08MW (50 days/year);

b) the average net energy efficiency of the electricity generation in the other power plants that would use the bagasse in the absence of the project activity;

c) the total power generation at the project site; and

d) the historic power generation at the project site. In doing so, please refer to VVM version 1.2 paragraphs 90 and 91.

a) Addressed in VR section 3.5.4.1

b) , c) and d) Addressed in VR section 3.5.4.1

8. The DOE is requested to explain how it has validated the remaining technical lifetime of the existing boilers and turbines, including the ones retired due to the project activity. In doing so, please refer to EB50Annex15.

Addressed in VR section 3.5.3