

EXPLANATION OF HOW DUE ACCOUNT WAS TAKEN OF THE COMMENTS BY PARTIES, STAKEHOLDERS AND NGOs

According to the modalities for the Validation of CDM projects, the DOE shall make publicly available the project design document and receive, within 30 days, comments from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available.

BVQI published the project documents on the UNFCCC CDM website (<http://cdm.unfccc.int>) on 27/10/2005 and invited comments within 25/11/2005 by Parties, stakeholders and non-governmental organizations. The table below describes how due account of the comments received for the CDM project Grid-connected electricity generation from renewable sources at Satara by M/s Bajaj Auto Ltd. (BAL) using wind Power was taken by BVQI :



Sr. No.	Details of the commenter	Date of the comment	Comment	Response by the project participants	Explanation on how due account is taken by the DOE
1	Mr. Perumal Arumugam e-mail - perumal_ak@yahoo.co.in	25/11/2005	Starting date of the project activity i. When the starting date of the project is by 2000, when does the project planning begins/until the following are stated clearly in the PDD it would be rather difficult to believe that the project started after 2000. The simple reason is this project has 118 machine which could not be procured and installed within short time, Minimum three to six months is required to complete operate one mill. ii. How many machines have been installed by 2000 in the bundle? iii. On which month this project started operating? iv. What was the Debt – equity ratio? v. When does the financial closure achieved?	i. The Board of Directors of BAL gave Approval for the Project on 21st January 2000. Subsequently the company proceeded for the issue of purchase order, installation and commissioning of the project. ii. The windmills were installed and commissioned in a phased manner as tabulated below at Appendix AA. iii. This is reflected in the generation & CER calculation provided in the PDD. iv. BAL is a leading company in Automobile industry in India. It is debt free company. The Windmill project has been funded by internal accruals of the company. v. No fresh debt or equity has been raised for the project. Hence the question of financial closure does not arise.	As per the glossary of CDM terms, The starting date of a CDM project activity is the date on which the implementation or construction or real action of a project activity begins. Considering the commissioning as the start of the project, the starts date of the project activity is considered as 08/03/2000. Sound evidence for these dates was verified for this during the site visits. The rest of the queries are duly answered by the project participants. The comment is considered to be duly accounted for.
2	Mr. Perumal Arumugam e-mail - perumal_ak@yahoo.co.in	25/11/2005	Technological barrier: i. The argument on technological barrier is debatable ii. The manpower expertise for the O&M will be provided by the manufacturer himself for the first two years over and above that after sales service, annual maintenance is being done by the manufacturer himself. The	i. BAL has invested into Windpower project to meet its captive power requirement and not for sale to third parties. At the time the company made investment in the project, the windpower technology was in nascent stage in the state of Maharashtra, where our projects are	The response by the project participants herewith strengthens the barrier analysis as presented in the PDD. It is verified that there were lightning stroke/s and corresponding failures at the wind mills. The relevant arguments in the PDD are therefore valid.

			<p>done by the manufacturer himself. The norms of jobs per MW for O&M as per the REEP study is 0.3 so the manpower requirement would be hardly 15 – 20 people. This technology started its footprints from 1985 so availing manpower would not be a constraint.</p> <p>iii. The failure of machines due to lightning, catching fire etc may be very very minimum. Along with the PDD if it could have mentioned with the number of such accidents and occurrences it would be effective.</p>	<p>located as shown in the table below at Appendix BB.</p> <p>ii. The year 1985 might be true in World / India context, but not in Maharashtra context as shown above.</p> <p>iii. BAL is engaged in manufacture of two and three wheeler vehicles. It could have very well set up fossil fuel based captive power plants to meet its power requirements. In spite of having the experience of DG Sets, the company went with windpower.</p> <p>iv. It was a lack of knowledge, expertise and manpower in this area that forced us to tie up with the Turbine manufacturer to provide us with O & M Contract as well.</p> <p>v. The failure of machines due to lightening may be minimum at sea level. Our project is situated at high altitude, 1150 metres above sea level in heavy rainfall area. Lightening strikes occur quite often at the site. In the past four years, BAL has already incurred losses due to lightening and also in two cases due to fire. The insurance claims for the same were lodged and accepted by Insurance Company.</p> <p>vi. Technological barriers have been further elaborated in PDD itself.</p>	<p>The comment is considered to be duly accounted for.</p>
3	Mr. Perumal Arumugam e-mail - perumal_ak@yahoo.co.in	25/11/2005	<p>Whether the financial analysis has taken the following into consideration:</p> <p>i. Tax holidays, accelerated depreciation, capital subsidy, etc.</p>	<p>i. The windmill project in Maharashtra entitles BAL to sales tax incentives, capital subsidy, accelerated depreciation and certain</p>	<p>It is true that the wind mill projects enjoy tax holidays, accelerated depreciation, capital subsidy, etc.</p>

n			<p>depreciation, capital subsidy etc.</p> <p>ii. Why it has been done only for the crediting period when the entire life time of the facility is 20 years.</p> <p>iii. Does variable cost component has been taken care during computation?</p> <p>iv. Does the IRR consider all the benefits accruing from the project? In my opinion this should incase also include the value of tax breaks available to the project developer. To the best of my knowledge financial analysis in the PDD hasn't taken value of tax breaks into consideration, which in case of WE projects is very significant.</p>	<p>income tax benefits.</p> <p>ii. Capital subsidy is restricted to Rs. 2 million for the entire project, which is insignificant keeping in mind the overall capital cost of the project.</p> <p>iii. BAL, for its core business of automobiles, has got two plants set up in the notified backward areas of Maharashtra. Any investment made by the company in backward area of Aurangabad entitles the company to unlimited sales tax benefits for a period of 18 years. Power plants (whether wind, coal or diesel) installed in the backward areas would also entail such benefits to the company. By investment in the windmill project, the company has compromised its sales tax benefits since sales tax incentives for windmill project are limited to the capital investment.</p> <p>iv. As regards, accelerated depreciation and income tax benefits, the same have been taken on a stand alone basis. Automobile division would enjoy the benefits of the same.</p> <p>v. The income tax benefits and depreciation would be partially available, had the company invested in fossil fuel based power projects in the manufacturing plant itself.</p> <p>vi. IRR has been calculated for the entire lifetime of 20 years only. Whereas. Long term loans for</p>	<p>However, the project participants, through documented evidence, have shown that in spite of these, the project was not the most financially attractive one.</p> <p>The comment is considered to be duly accounted for.</p>
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				<p>investment proposal have repayment period of 10 years. Hence, Debt Service Coverage Ratio (DSCR) has been calculated for 10 years.</p> <p>vii. See below in Appendix CC the cost component structure of cost of grid and cost of wind power as taken in PDD.</p>	
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Appendix AA

Phase	No of windmills group	Date of Purchase Order	Commissioning of first Windmill to Grid as per Electricity Board	Commissioning of last Windmill to Grid as per Electricity Board
I	28	23 rd Feb 2000	8 th Mar 2000	10 th Mar 2000
II	28	28 th Apr 2000	29 th June 2000	31 st Aug 2000
III	28	1 st July 2000	30 th Sept 2000	29 th Nov 2000
IV	28	1 st July 2000	28 th Dec 2000	31 st Dec 2000
V	6	21 st Feb 2002	30 th Mar 2002	30 th Mar 2002
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Appendix BB

Windpower Installed capacity (in MW) in State of Maharashtra

Year	Maharashtra	BAL
1997	0.77	
1998	3.33	
1999	20.31	
2000	116.97	39.20
2001 & 2002	251.45	26.00
Total MW	392.83	65.20

Appendix CC

Sr.No.	Cost component	Cost of grid	Cost of windpower
1.a	Variable cost	These are charged as Energy Tariff and Fuel Cost Adjustment charges.	These are repairs of turbines, insurance cost, property taxes and other running expenses,
1.b	Fixed Cost	These are also included as Tariff.	These are related to initial investment in the project.
2	Fixed Demand Charges	These are payable by energy user as per Tariff.	These are payable by energy user as per Tariff.