



# 华润电力风能（承德）有限公司

**China Resources Wind Power (Chengde) Co., Ltd.**

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## **Response to the Request for review regarding**

### **2865 Hebei Chengde Yudaokou Windfarm 48MW project**

Dear Chair of the CDM Executive Board,

We refer to the request for review regarding project activity 2865 Hebei Chengde Yudaokou Windfarm 48MW project and would like to provide the below response to the issue raised:

#### **Question1:**

The DOE is requested to further explain how the proposed tariff has been determined for the project activity and provide a quantitatively substantiated assessment as to whether the net return to the investor has been reduced as a result of any reduction in tariffs over recent years, or whether the net return has been unaffected or only partially affected as a result of other changes such as investment costs. This question is relevant since it is noticed that when applying the highest reported tariff of 0.653 RMB/kWh with VAT (which is applicable to CDM project activity 0233) the project IRR crosses the benchmark.

#### **Response:**

##### **1) The proposed tariff has been determined basing on the FSR.**

The proposed tariff for the proposed project was sourced from the FSR, which was completed in October, 2007. Since information on tariff of the proposed project was unavailable at that time, the tariff proposed in the FSR was referenced from the latest on-grid tariff of similar projects in the region approved by the National Development and Reform Committee (NDRC). The latest document on tariff of wind projects was issued by NDRC on 09/06/2007, in which tariff of 7 wind projects in Hebei province was approved. In the document, on-grid tariff of wind projects was adopted approved tariff in 30000h and local average tariff after 30000h. As to the tariff of projects in Hebei province, 6 projects were 0.54 Yuan/kWh (Incl. VAT) and only 1 project, which is relative far from the proposed project and the wind resource is different from the proposed project, was 0.61 Yuan/kWh



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(Incl. VAT). Therefore, the tariff was estimated to 0.54 Yuan/kWh (Incl. VAT) in 30000h and 0.3504 Yuan/kWh (Incl. VAT) after 30000h in the FSR after seriously consideration. But for conservative consideration, 0.54 Yuan/KWh was adopted for project whole lifetime to calculation the IRR in the PDD.

The tariff of the proposed project was approved in August 2009 and the actual tariff is 0.54 Yuan/kWh (Incl. VAT) which is same as it in FSR.

## **2) The tariffs of wind power projects in Hebei Province have kept relatively stable over recent years.**

A reform was carried out in China when the Electric Power System Reform was issued by China Council on 10/02/2002. The reform broke the state-monopoly of the electric supply system and separates electric power generation and electric grid operation into two sectors. From then on, the wind power projects in China came into marketing development. There are only two wind farm in Hebei Province before 2002 and both of them are not commercial project. The tariff of them was 0.65 Yuan/kWh (Incl. VAT).

Due to no specific encourage policy to support; the development of wind power projects is slow. In order to encourage the development of wind projects, two incentive policies were carried out consecutively by Chinese government. Firstly of all, the National Renewable Energies Law was issued on 28/02/2005; Secondly, the Interim Regulation for Electricity Tariff of Renewable Energy Power Generation and Appointment of Expense was issued on 28/06/2005. Thanks to the incentive policies, the wind power projects have developed rapidly from 2006 and the tariff of most power projects began to be approved by NDRC from then on. There were 19 wind power projects in Hebei Province from 2006 to 2008 got approval tariff from NDRC. The tariff of them were 0.54 Yuan/kWh (Incl. VAT) to 0.61 Yuan/kWh (Incl. VAT) basing on the wind resource. Announcement on the policy of improving the on-grid tariff of wind power was issued by NDRC on 20/07/2009. According to the difference of wind resource, the on-grid tariff of wind power projects in Hebei





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province was determined to 0.54 Yuan/kWh (Incl. VAT) and 0.61 Yuan/kWh (Incl. VAT) in different wind resource region, which keep identical with the previous tariff.

Therefore, we can conclude that the tariff of wind power projects in Hebei Province keep relatively stable after the reform in 2002. The tariffs of all wind power projects in Hebei province were 0.54 Yuan/kWh (Incl. VAT) to 0.61 Yuan/kWh (Incl. VAT) in different wind resource region. (There were 33 wind farms were built or under construction in Hebei Province from 2002 until now. The tariff of each wind power projects was listed in the table below.)

**Tab. Tariff of each wind power projects in Hebei Province**

Item	Name of wind power project	Tariff (Incl. VAT) Unit: Yuan/kWh	Year of Construction	Reference
1	Zhangbei Changcheng wind farm	0.65	Prior to 2002	Ji Jia Ge [2002]242 issued by NDRC in Feb 2002
2	Chende Hongsong wind farm phase I			
3	Chengde Hongsong wind farm phase II	0.60	2006	Ji Jia Guan Zi [2006]57 issued by Price Bureau of Hebei province In Jun 2006
4	Guohua Shangyi wind farm phase I			
5	Hebei Shangyi Manjing East Wind Farm			
6	Zhangbei Manjing Wind Farm			
7	Zhangbei Mijiagou 49.5 MW Wind Farm			
8	Hebei Kangbao Wolongtushan 30 MW Wind project			
9	CECIC HKC Danjinghe Wind Farm Project (concessionary project)	0.5006	2007	Fa Gai Neng Yuan [2007] 654 issued by NDRC in Mar 2007
10	Hebei Haixing 49.5MW Wind Farm Project	0.61		Fa Gai Jia Ge [2007]1260 issued



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Item	Name of wind power project	Tariff (Incl. VAT) Unit: Yuan/kWh	Year of Construction	Reference
11	Guyuan 30.6MW Wind-farm Project	0.54		by NDRC in Jun 2007
12	Hebei Shirensan Wind Power Project			
13	Hebei Chengde Songshan Windfarm Project			
14	Hebei Wanquan Yulong Wind Power Project			
15	Hebei Yuxian Kongzhongcaoyuan 49.5MW Wind Farm Project			
16	Hebei Chongli Qingsanying 49.3MW Wind Farm Project			
17	Hebei Shangyi Manjing West Wind Farm Project			Fa Gai Jia Ge [2007]3303 issued by NDRC in DEC 2007
18	Hebei Weichang Zhangjiawan Wind Power Project			
19	Hebei Weichang Longyuan Construction Investment Shanwanzi Wind Power Project			
20	Hebei Shangyi Qijiashan Wind Farm Project (concessionary project)	0.5006	2008	Fa Gai Jia Ge [2008]1876 issued by NDRC in Jul 2008
21	CECIC Zhangbei Dayangzhuang Wind Farm Project	0.54		
22	Hebei Chengde Huifeng Windfarm Project	0.54	2009	Ji Jia Guan [2009]69 issued by Price Bureau of Hebei province In Aug 2009
23	Hebei Chengde Fengze Windfarm Project			
24	Hebei Chongli County Qingsanying Second Phase 49.3 MW Wind Power Project			
25	Hebei Yuxian Second Phase 49.5MW Wind Power Project			
26	Hebei Kangbao Sanxiatian Wind Farm Project			





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Item	Name of wind power project	Tariff (Incl. VAT) Unit: Yuan/kWh	Year of Construction	Reference
27	Guyuan Wuhuaping 49.5 MW Wind Power Project			
28	Dongbaliang 49.5MW Wind Power Project in Weichang County Hebei Province			
29	Yueliangshan 49.5MW Wind Power Project in Weichang County Hebei Province			
30	Hebei Chengde Yudaokou Windfarm 48MW project (The proposed project)			
31	Hebei Weichang Guangfayong Wind power project			
32	Hebei Weichang Zhuzixia Wind power project			
33	Hebei Chicheng Stage I Windfarm Project			
34	Hebei Leting 49.5 MW Wind Farm Project Phase I	0.61		
35	Guohua Hebei Huanghua 49.5 MW Wind farm Project (Phrase I)			

- 3) The tariff of CDM project activity 0233 is not 0.653 RMB/kWh with VAT but 0.60 RMB/kWh with VAT and the proposed project is still additional even with the higher actual tariff.**

In the PDD of 0233, tariff Barriers were emphasized on as below:

*According to the feasibility study of the Zhangbei Manjing wind farm project, if the project would received the tariff now being discussed, 0.653 RMB/kWh (including tax), for the full project lifetime the investment IRR would be 7.39%. However, according to BJGT and the local price bureau who are discussing the tariff, to get 0.653 RMB/kWh approved again, every year is difficult.*



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As described in the PDD, to get 0.653 RMB/kWh approved again every year is difficult even at that time. There was no any reference for the similar projects as CDM project activity 0233 at the time of its FSR completed. Therefore, 0.653 RMB/kWh was just the expected tariff which was hardly achieved. The actual tariff of CDM project activity 0233 approved by NDRC was 0.60 RMB/kWh. As you can see, the IRR of the proposed project will be 7.52% with the tariff of 0.60 RMB/kWh which is still lower than the benchmark. The IRR of the proposed project will be 7.74% even with the highest tariff of 0.61 RMB/kWh since 2002.

## **Question 2 and Question 3:**

The DOE is requested to further explain how the proposed tariff has been determined for the project activity and provide an assessment as to whether the net return to the investor has been reduced as a result of any reduction in tariffs over recent years, or whether the net return has been unaffected as a result of other changes such as investment costs.

## **Response:**

- 1) The proposed tariff has been determined basing on the FSR. ( See above)**
- 2) The tariffs of wind power projects in Hebei Province are kept stable over recent years. ( See above)**

Your Sincerely

MR. Linweiping

CDM Manager