RESPONSE TO REQUEST FOR REVIEW

From: Bureau Veritas Holding SAS

To: CDM Team

Attention: John Kilani, Secretary to the CDM Executive Board

Reference: Request for review - 0830 Rialma Companhia Energética I S/A. - Santa Edwiges I Small Hydro Power Plant - Small Scale CDM Project , sent in e-mail of 20/08/2010 07:26

Dear CDM Team,

Regarding the above mentioned reference, Bureau Veritas Certification, BVC Holding SAS, had performed the 3rd Verification of the CDM Project 830: Rialma Companhia Energética I S/A. – Santa Edwiges I Small Hydro Power Plant – Small Scale CDM Project concerning the period of 01 January 2009 to 31 December 2009. Subsequently, have been issued 3 requests for review, where all of them have the same description, as follows:

The DOE shall clarify how it confirmed that:

(1) The monitoring of electricity supplied to the grid from the project activity was conducted in accordance with the monitoring plan considering that the monitoring plan has not specified connection of other hydro plants (Santa Edwiges II and III) to the meters.

(2) There has not been any change in the monitoring system since last verification, considering that the last verification report mentioned that the meters at the substation measured electricity delivered to the grid by the project activity whereas the current verification report mentions that the meters located at the substation measured electricity delivered to the grid by three hydropower plants: Santa Edwiges I, II and III.

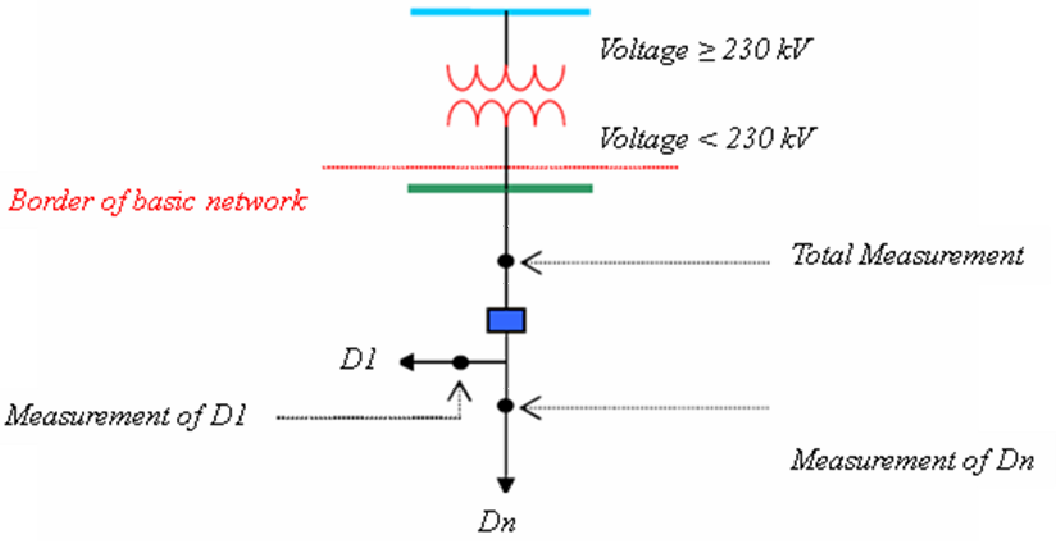
It is a pleasure to inform Bureau Veritas Certification's response for this issue as defined below, where we describe all actions taken to properly handle the analysis of the situation and give the right answer for that.

(1) Regarding the confirmation that *the monitoring of electricity supplied to the grid from the project activity was conducted in accordance with the monitoring plan considering that the monitoring plan has not specified connection of other hydro plants (Santa Edwiges II and III) to the meters.*

As detailed in the current verification report, the monitoring system of Santa Edwiges I is based on a configuration of measurement points that considers the individual readings of electricity generated by each one of the three hydropower plants, Santa Edwiges I, II and III, in addition to the measurement of their total generation, at the border of transformation, downstream of the plants' individual energy meters.

Such configuration is approved by ONS – the Brazilian National Power System Operator[1] –, in accordance to its grid procedures, "Sub module 12.2: Installation of the Measurement System for Invoicing (Rev. 01)", "Section 6: Location of Measurement Points", in paragraph 6.5:

> *6.5 At the connection point with the basic or distribution network, whose line is shared by more than one distributor or free consumer, the measurement must be at this point and at the connection points of each one.*



Source (translated into English, since grid procedures are only available in Portuguese): http://www.ons.org.br/download/procedimentos/modulos/Modulo_12/Submodulo%2012.2_Rev_1.0.pdf.

The entire national grid (electric system) comprises assets pertaining to measurement (power plants, generating units and loads), as well as the use of main and backup meters at defined measurement points. Transmission losses occur between the assets and the relevant measurement points. The entire national grid is modeled in order to represent a single-threaded system regarding the physical electric power consumers/producers network.

The individual hydropower plants' energy meters readings (measurement points *D1*, *D2* and *D3*, controlled by CCEE – The Brazilian Chamber of Electrical Energy Commercialization –, upstream of Alvorada do Norte's substation, the one the project activity is delivering the generated electricity into, and compliant with the national grid procedures, leads to reliable measurement and determination of electricity generation by the project activity.

As mentioned in the last verification report, the meters of the substation – refering to Alvorada do Norte's – measure electricity delivered to the grid by the project activity, since such measurement point is located at the border of transformation, the point where net energy is actually being delivered. At this point, losses due to transmission lines – that connect the project activity's generating units to the substation – and the electricity generated by the other two plants have already

[1] See http://www.ccee.org.br/cceeinterdsm/v/index.jsp?vgnextoid=15e6a5c1de88a010VgnVCM100000aa01a8c0RCRD for an introduction to the Brazilian power sector, its institutions and, legislation.

been discounted by CCEE. This is in accordance with the registered PDD, version 08, dated 10/11/2006, Section D.3, which specifies "Energy metering connected to the grid", in the monitoring plan.

During current verification, the DOE's team verified that CCEE's CB002 report presents official data on the "electricity generation of the project activity delivered to grid" which is 1.6% lower, in average, than the data monitored by the "project owner (seller)". Thus, confirming that the transmission losses and the electricity generated by the other two plants have been duly discounted.

Besides, same sources of information (reports, regulatory agent: CCEE) have been considered by the teams of the current and last verifications – as stated in the reports –, same monitoring system configuration and grid procedures regulations have been in place.

As per the registered PDD's approved monitoring plan, the only electricity production to be monitored is the "Electricity generation of the Project delivered to grid" – which occurs at Alvorada do Norte's substation –, independently of the configuration (e.g. "connection of other hydro plants") upstream of such measurement point.

Therefore, the DOE confirms that monitoring of electricity supplied to the grid from the project activity was conducted in accordance with the monitoring plan.

(2) Regarding the confirmation that *there has not been any change in the monitoring system since last verification, considering that the last verification report mentioned that the meters at the substation measured electricity delivered to the grid by the project activity whereas the current verification report mentions that the meters located at the substation measured electricity delivered to the grid by three hydropower plants: Santa Edwiges I, II and III.*

So, as presented above, there has been no change in the monitoring system neither in the verification process since the last verification or in the monitoring plan. The difference verified between the current verification report and the previous ones (more detailed information on the monitoring system) is a result of the application of the *Guidelines on Completeness Check of Requests for Issuance* (EB 48 Annex 68), issued after the date of the last verification report (28/04/2009) and before the date of the current one (23/03/2010). Based on the requirements of Clause 10, of the guidelines, a more detailed monitoring report was presented by the PPs, which as a consequence lead to a more detailed verification report.

Confident that the above comments will support you to adequately address the raised issues, the DOE remains available at any time for additional clarification.

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