



**CLEAN DEVELOPMENT MECHANISM  
PROJECT DESIGN DOCUMENT FORM (CDM-PDD)  
Version 03 - in effect as of: 28 July 2006**

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**SECTION A. General description of project activity****A.1 Title of the project activity:**

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Title: Enercon Wind Farms in Karnataka Bundled Project – 30.40 MW

Version: 4.0

Date of completion of PDD: 03/09/2007

**A.2. Description of the project activity:**

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**Objective of the Project**

The objective is development, design, engineering, procurement, finance, construction, operation and maintenance of Enercon Wind Farm (Chitradurga) Ltd 8.8 MW and other wind power projects of 21.60 MW capacity (“Project”) in the Indian state of Karnataka to provide reliable, renewable power to the Karnataka state electricity grid which is part of the Southern regional electricity grid. The Project will lead to reduced greenhouse gas emissions because it displaces electricity from fossil fuel based electricity generation plants.

**Nature of Project**

The Project harnesses renewable resources in the region, and thereby displacing non-renewable natural resources thereby ultimately leading to sustainable economic and environmental development. Enercon (India) Ltd (“Enercon”) will be the equipment supplier and the operations and maintenance contractor for the Project. The generated electricity will be supplied to Karnataka Power Transmission Company Ltd (“KPTCL”)/ Bangalore Electricity Supply Company Ltd (“BESCOM”) / Hubli Electricity Supply Company Ltd (“HESCOM”) under long-term power purchase agreements (PPA). Enercon Wind Farm (Chitradurga) Ltd is owned by Enercon (India) Ltd and Enercon GmbH and the rest of the projects are owned by Enercon’s customers. The details of the Projects are as under:

- |  |         |
|--|---------|
| 1. Enercon Wind Farms (Chitradurga) Ltd: | 8.80 MW |
| 2. Steelfab Offshore                     | 0.80 MW |
| 3. Dewanchand Ramsaran:                  | 0.80 MW |
| 4. Elpro International:                  | 0.80 MW |
| 5. Gautam Ladkat:                        | 0.80 MW |
| 6. Sameer Ladkat:                        | 0.80 MW |
| 7. Panama Business Centre:               | 1.60 MW |
| 8. Balasahab Ladkat:                     | 1.60 MW |
| 9. Panama Infrastructure:                | 1.60 MW |
| 10. MK Agrotech Private Ltd:             | 1.60 MW |
| 11. Srinivas Sirigeri:                   | 0.80 MW |
| 12. R.K.Marbles:                         | 0.80 MW |
| 13. Dempo Industries:                    | 0.80 MW |
| 14. Desai Brothers:                      | 0.80 MW |
| 15. Abhilash Garments & Estates (P) Ltd: | 0.80 MW |
| 16. Prasad Global Solutions:             | 1.60 MW |
| 17. Siddaganga Oil Extractions Ltd.:     | 1.60 MW |



18. Gangadhar Narsingdas Agarwal: 4.00 MW

### **Contribution to sustainable development**

The Project meets several sustainable development objectives including:

- contribution towards the policy objectives of Government of India and Government of Karnataka of incremental capacity from renewable sources;
- contribution towards meeting the electricity deficit in Karnataka;
- CO<sub>2</sub> abatement and reduction of greenhouse gas emissions through development of renewable technology;
- reducing the average emission intensity (SO<sub>x</sub>, NO<sub>x</sub>, PM, etc.), average effluent intensity and average solid waste intensity of power generation in the system;
- conserving natural resources including land, forests, minerals, water and ecosystems; and
- developing the local economy and create jobs and employment, particularly in rural areas, which is a priority concern for the Government of India;

### **A.3. Project participants:**

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<b>Name of Party involved ((host) indicates a host Party)</b>	<b>Private and/or public entity(ies) project participants (*) (as applicable)</b>	<b>Kindly indicate if the Party involved wishes to be considered as project participant (Yes/No)</b>
Government of India (Host)	Enercon (India) Ltd	No
Government of Japan	Japan Carbon Finance	No

The contact details of the entities are provided in Annex – 1. All the projects have authorized Enercon (India) Ltd to take them through the CDM process.

### **A.4. Technical description of the project activity:**

#### **A.4.1. Location of the project activity:**

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##### **A.4.1.1. Host Party(ies):**

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The host party to the project activity is the Government of India.

##### **A.4.1.2. Region/State/Province etc.:**

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The Project is located in the State of Karnataka that forms part of the Southern regional electricity grid of India.

**A.4.1.3. City/Town/Community etc:**

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Sub-project No. 1 is located in Bhramपुरa village, Hiriyur talkuk of Chitradurga district. Sub-Projects 2 to 14 are located in village Ittegehalli, Myakenahalli, Katheholle, Goolihosahalli, Lakkihalli, Lingadevarahalli, Mulashiranahalli, all located in Jogimatti wind Zone of Chitradurga district. Sub-Projects 15 to 18 are located in Kapatagudda Wind Zone of Gadag district.

**A.4.1.4. Detail of physical location, including information allowing the unique identification of this project activity (maximum one page):**

&gt;&gt;

For sub-project 1, the project area extends between latitude 14° 02' & 14° 04' North and longitude 76° 27' & 76° 28' East. This sub-project is connected to the Aiamangla 66/11 kV KPTCL sub-station.

For sub-projects 2 to 10, the project area extends between latitude 13° 57' & 14° 01' North and longitude 76° 24' & 76° 29' East. These sub-projects are connected to the Hiriyur 220/66/11 kV KPTCL sub-station.

For sub-projects 11 to 14, the project area extends between latitude 13° 58' & 14° 02' North and longitude 76° 17' & 76° 20' East. These sub-projects are connected to the Ramgiri 66/11 kV KPTCL sub-station.

For sub-projects 15 to 18, the project area extends between latitude 14° 11' & 14° 14' North and longitude 76° 43' & 76° 45' East. These sub-projects are connected to the Dambal 110/33/11 kV KPTCL sub-station.

The sites are located at a distance of 200 km from Bangalore by road. The nearest railway station is at Bangalore. A location map is attached at Appendix – 1.

**A.4.2. Category(ies) of project activity:**

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The project activity is considered under CDM category zero-emissions '**grid-connected electricity generation from renewable sources**' that generates electricity in excess of 15 MW (limit for small scale project). Therefore as per the scope of the project activity enlisted in the 'list of sectoral scopes and related approved baseline and monitoring methodologies (version 02 Mar 05/07:23)', the project activity may principally be categorized in Scope Number 1, Sectoral Scope - Energy industries (renewable/ non-renewable sources).

**A.4.3. Technology to be employed by the project activity:**

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The Project involves 38 wind energy converters (WECs) of Enercon make 800 kW E-48 with internal electrical lines connecting the Project with local evacuation facility. The WECs generates 3-phase power at 400V, which is stepped up to 33 KV. The Project can operate in the frequency range of 47.5–51.5 Hz and in the voltage range of 400 V ± 12.5%. The other salient features of the state-of-art-technology are:

- Gearless Construction - Rotor & Generator Mounted on same shaft eliminating the Gearbox.
- Variable speed function – has the speed range of 18 to 33 RPM thereby ensuring optimum efficiency at all times.



- Variable Pitch functions ensuring maximum energy capture.
- Near Unity Power Factor at all times.
- Minimum drawl (less than 1% of kWh generated) of Reactive Power from the grid.
- No voltage peaks at any time.
- Operating range of the WEC with voltage fluctuation of -20 to +20%.
- Less Wear & Tear since the system eliminates mechanical brake, which are not needed due to low speed generator which runs at maximum speed of 33 rpm and uses Air Brakes.
- Three Independent Braking System.
- Generator achieving rated output at only 33 rpm.
- Incorporates lightning protection system, which includes blades.
- Starts Generation of power at wind speed of 3 m/s.

Enercon (India) Ltd has secured and facilitated the technology transfer for wind based renewable energy generation from Enercon GmbH, has established a manufacturing plant at Daman in India, where along with other components the "Synchronous Generators" using "Vacuum Impregnation" technology are manufactured.

**A.4.4 Estimated amount of emission reductions over the chosen crediting period:**

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Crediting Period for the Project: fixed for 10 years

Years	Annual estimation of emission reductions in tones of CO <sub>2</sub> e
25 October 2007 to 31 March 2008	22,565
01 April 2008 to 31 March 2009	65,774
01 April 2009 to 31 March 2010	65,774
01 April 2010 to 31 March 2011	65,774
01 April 2011 to 31 March 2012	65,774
01 April 2012 to 31 March 2013	65,774
01 April 2013 to 31 March 2014	65,774
01 April 2014 to 31 March 2015	65,774
01 April 2015 to 31 March 2016	65,774
01 April 2016 to 31 March 2017	65,774
01 April 2017 to 24 October 2017	43,209
Total estimated reductions (tonnes of CO <sub>2</sub> e)	657,740
Total number of crediting years	10
Annual average over the crediting period of estimated reductions (tonnes of CO <sub>2</sub> e)	65,774

**A.4.5. Public funding of the project activity:**

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There is no ODA financing involved in the Project.

**SECTION B. Application of a baseline and monitoring methodology****B.1. Title and reference of the approved baseline and monitoring methodology applied to the project activity:**

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The approved consolidated baseline and monitoring methodology **ACM0002 Version 6.0** (19 May 2006) has been used. The titles of these baseline and monitoring methodologies are “Consolidated baseline methodology for grid-connected electricity generation from renewable sources” and “Consolidated monitoring methodology for grid-connected electricity generation from renewable sources.”

**B.2 Justification of the choice of the methodology and why it is applicable to the project activity:**

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The Project is wind based renewable energy source, zero emission power project connected to the Karnataka state grid, which forms part of the Southern regional electricity grid. The Project will displace fossil fuel based electricity generation that would have otherwise been provided by the operation and expansion of the fossil fuel based power plants in Southern regional electricity grid.

The approved consolidated baseline and monitoring methodology ACM0002 Version 6 is the choice of the baseline and monitoring methodology and it is applicable because:

- the Project is grid connected renewable power generation project activity
- the Project represents electricity capacity additions from wind sources
- the Project does not involve switching from fossil fuel to renewable energy at the site of project activity since the Project is green-field electricity generation capacities from wind sources at sites where there was no electricity generation source prior to the Project, and
- the geographical and system boundaries of the Southern electricity grid can be clearly identified and information on the characteristics of the grid is available.

**B.3. Description of the sources and gases included in the project boundary**

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According to ACM0002, for the baseline emission factor, the spatial extent of the project boundary includes the project site and all power plants connected physically to the electricity system that the CDM project power plant is connected to.

The Indian electricity system is divided into five regional grids, viz. Northern, Eastern, Western, Southern, and North-Eastern. Each grid covers several states. As the regional grids are interconnected, there is inter-state and inter-regional exchange. A small power exchange also takes place with neighbouring countries like Bhutan and Nepal.

Power generation and supply within the regional grid is managed by Regional Load Dispatch Centre (RLDC). The Regional Power Committees (RPCs) provide a common platform for discussion and



solution to the regional problems relating to the grid. Each state in a regional grid meets its demand with its own generation facilities and also with allocation from power plants owned by the Central Sector such as NTPC and NHPC etc. Specific quotas are allocated to each state from the Central Sector power plants. Depending on the demand and generation, there are electricity exports and imports between states in the regional grid. The regional grid thus represents the largest electricity grid where power plants can be dispatched without significant constraints and thus, represents the “project electricity system” for the Project. As the Project is connected to the Southern regional electricity grid, the Southern grid is the “project electricity system”.

Accordingly, the project boundary encompasses the physical extent of the Southern regional Electricity grid which include the project site and all the power plants connected physically to the electricity system

	Source	Gas	Included?	Justification/ Explanation
Baseline	Electricity generation from power plants connected to the Southern Grid	CO <sub>2</sub>	Included	Main emission source
		CH <sub>4</sub>	Excluded	This source is not required to be estimated for wind energy projects under ACM0002
		N <sub>2</sub> O	Excluded	This source is not required to be estimated for wind energy projects under ACM0002
Project Activity	Electricity generation from the Project	CO <sub>2</sub>	Excluded	Wind energy generation does not have any direct GHG emissions.
		CH <sub>4</sub>	Excluded	
		N <sub>2</sub> O	Excluded	

**B.4. Description of how the baseline scenario is identified and description of the identified baseline scenario:**

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According to ACM0002, for project activities that do not modify or retrofit an existing electricity generation facility, the baseline scenario is the following:

*Electricity delivered to the grid by the project would have otherwise been generated by the operation of grid-connected power plants and by the addition of new generation sources, as reflected in the combined margin (CM) calculations described below.*

As the Project does not modify or retrofit an existing generation facility, the baseline scenario is the emissions generated by the operation of grid-connected power plants and by the addition of new generation sources. This is estimated using calculation of Combined Margin multiplied by electricity delivered to the grid by the Project.

**B.5. Description of how the anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity (assessment and demonstration of additionality): >>**

The additionality of the project is being proved using additionality tool Version 2.

**Step 0: Preliminary screening based on the starting date of the project activity**

If project participants wish to have the crediting period starting prior to the registration of their project activity, they shall:

- a) Provide evidence that the starting date of the CDM project activity falls between 1 January 2000 and the date of the registration of a first CDM project activity, bearing in mind that only CDM project activities submitted for registration before 31 December 2005 may claim for a crediting period starting before the date of registration.
- b) Provide evidence that the incentive from the CDM was seriously considered in the decision to proceed with the project activity. This evidence shall be based on (preferably official, legal and/or other corporate) documentation that was available at, or prior to, the start of the project activity.

The additionality of the project is being proved using additionality tool Version 2.

The Project start date is prior to the date of validation of the PDD.

Wind power projects prior to the implementation Project were required to share CDM revenues with KPTCL in accordance with the PPAs approved by Karnataka Electricity Regulatory Commission (KERC). While KPTCL requested KERC to retain the sharing of CDM revenues, KERC removed the sharing of CDM revenues with KPTCL while approving the PPAs for the Project recognizing the nascent stage of the CDM market and potential adverse impact on new investments. The various regulatory orders that a) allowed CDM benefits to be shared between KPTCL and the developers for earlier projects, and b) did not allow KPTCL to share CDM benefits with developers will be provided to the validator.

Enercon's management had considered CDM benefits in wind power development and already had experience with CDM process (CERUPT tender of 2001, Letter of Intent for other wind power projects in Karnataka in December 2003, etc.). It had also informed its customers of the CDM benefits. Evidence for this is available which will be provided to the validator.

Enercon had entered into discussions with a CER purchaser for purchase of emission reductions and a Memorandum of Understanding was signed on 1<sup>st</sup> July 2005, which is prior to the start date of the Project.

**Step 1: Identification of alternatives to the project activity consistent with current laws and regulations*****Sub-step 1a. Define alternatives to the project activity:***

1. Identify realistic and credible alternative(s) available to the project participants or similar project developers that provide outputs or services comparable with the proposed CDM project activity. These alternatives are to include:

- The proposed project activity not undertaken as a CDM project activity;
- All other plausible and credible alternatives to the project activity that deliver outputs and on services (e.g. electricity, heat or cement) with comparable quality, properties and application areas;
- If applicable, continuation of the current situation (no project activity or other alternatives undertaken).

Alternative(s) available to the project participants or similar project developers include:





- (a) The Project is not undertaken as a CDM project activity.
- (b) Setting up of comparable utility scale fossil fuel fired or hydro power projects that supply to the Karnataka grid under a PPA.
- (c) Continuation of the current situation where no project activity or any of the above Alternatives are undertaken would not be applicable as Karnataka had energy (MU) shortages of 0.7% and peak (MW) shortages of 9.8% in 2005-06 (Source: Southern Region Power Sector Profile, August 2006, Ministry of Power).

***Sub-step 1b. Enforcement of applicable laws and regulations***

- 2. The alternative(s) shall be in compliance with all applicable legal and regulatory requirements, even if these laws and regulations have objectives other than GHG reductions, e.g. to mitigate local air pollution. This sub-step does not consider national and local policies that do not have legally-binding status.
- 3. If an alternative does not comply with all applicable legislation and regulations, then show that, based on an examination of current practice in the country or region in which the law or regulation applies, those applicable legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread in the country. If this cannot be shown, then eliminate the alternative from further consideration.
- 4. If the proposed project activity is the only alternative amongst the ones considered by the project participants that is in compliance with all regulations with which there is general compliance, then the proposed CDM project activity is not additional.

There are no legal and regulatory requirements that prevent Alternatives (a) and (b) from occurring.

***Proceed to Step 2 (Investment analysis) or Step 3 (Barrier analysis). (Project participants may also select to complete both steps 2 and 3.)***

**Step 2: Investment Analysis**

Determine whether the proposed project activity is the economically or financially less attractive than other alternatives without the revenue from the sale of certified emission reductions (CERs). To conduct the investment analysis, use the following sub-steps:

Sub-step 2a. - Determine appropriate analysis method

- 1. Determine whether to apply simple cost analysis, investment comparison analysis or benchmark analysis (sub-step 2b). If the CDM project activity generates no financial or economic benefits other than CDM related income, then apply the simple cost analysis (Option I). Otherwise, use the investment comparison analysis (Option II) or the benchmark analysis (Option III).

Sub-step 2b. – Option I. Apply simple cost analysis

- 2. Document the costs associated with the CDM project activity and demonstrate that the activity produces no economic benefits other than CDM related income.

Sub-step 2b. – Option II. Apply investment comparison analysis

- 3. Identify the financial indicator, such as IRR, NPV, cost benefit ratio, or unit cost of service (e.g., levelized cost of electricity production in \$/kWh or levelized cost of delivered heat in \$/GJ) most suitable for the project type and decision-making context.

Sub-step 2b. – Option III. Apply benchmark analysis



4. Identify the financial indicator, such as IRR, NPV, cost benefit ratio, or unit cost of service (e.g., levelized cost of electricity production in \$/kWh or levelized cost of delivered heat in \$/GJ) most suitable for the project type and decision context.

Option I – Simple cost analysis is not applicable as the project activity sells electricity to the grid and obtains economic benefits in the form of electricity tariffs.

Enercon proposes to use **Option III – Benchmark analysis** and the financial indicator that is identified is the post-tax return on equity or the equity IRR.

The post tax return on equity and equity IRR is used as the appropriate financial indicator because in the Indian power sector, a 14% post tax return on equity is an established benchmark for projects in public or private sector based on cost-plus regulations (Source: Central Electricity Regulatory Commission, Terms and Conditions of Tariff, Regulations 2004 dated 26 March 2004) for utility scale power plants (similar to Alternative (b)). Incentives, foreign exchange variations and efficiency in operations are in addition to this benchmark of 14%.

For determining the tariffs for wind power projects, the electricity regulatory commissions of the state of Rajasthan and Gujarat have considered the return on equity at 14% while the electricity regulatory commissions of the state of Madhya Pradesh, Maharashtra and Karnataka have considered the return on equity at 16%. (Source: RERC Order dated 29 September 2006).

There are some essential differences between the Project (whether implemented with or without CDM revenues) and the Alternatives identified in Sub-step 1(b) (utility scale fossil fuel and hydro projects). These should be taken into account while setting the appropriate level of equity IRR.

- The project activity tariff structure is a single-part tariff structure as compared to utility scale fossil fuel and hydro projects, which have two-part tariff structure. This implies that project activity carries a higher investment risk than the utility scale fossil fuel and hydro projects (Alternative (b)) where the investment recovery is decoupled from the level of actual generation achieved by the project due to variations in offtake.

Thus, in case of the project activity, issues such as transmission unavailability, back-down of generation or part-load operations, which are beyond the control of the investors are likely to affect the project activity more severely and therefore the project activity investors would require higher rate of return to compensate them for these additional risks.

- In case of utility scale fossil fuel and hydro projects (Alternative (b)), these are by reference to cost-plus approach whereby the projects recover their full investment cost each year if they are able to reach specified level of plant availability. In case of the Project, it does not recover its full investment cost in the initial years as the tariffs are back-loaded. This increases the investment risks in the project activity compared to the alternatives.

Based on the above considerations, 16% post-tax equity IRR is considered to be the appropriate post-tax equity return. If the Project has a post-tax equity IRR of less than 16%, then it can be considered to be additional.

***Sub-step 2c. Calculation and comparison of financial indicators (only applicable to options II and III):***

5. Calculate the suitable financial indicator for the proposed CDM project activity and, in the case of Option II above, for the other alternatives. Include all relevant costs (including, for example, the investment cost, the operations and maintenance costs), and revenues (excluding CER revenues, but



including subsidies/fiscal incentives where applicable), and, as appropriate, non-market cost and benefits in the case of public investors.

6. Present the investment analysis in a transparent manner and provide all the relevant assumptions in the CDM-PDD, so that a reader can reproduce the analysis and obtain the same results. Clearly present critical techno-economic parameters and assumptions (such as capital costs, fuel prices, lifetimes, and discount rate or cost of capital). Justify and/or cite assumptions in a manner that can be validated by the DOE. In calculating the financial indicator, the project's risks can be included through the cash flow pattern, subject to project-specific expectations and assumptions (e.g. insurance premiums can be used in the calculation to reflect specific risk equivalents).
7. Assumptions and input data for the investment analysis shall not differ across the project activity and its alternatives, unless differences can be well substantiated.
8. Present in the CDM-PDD submitted for validation a clear comparison of the financial indicator for the proposed CDM activity and:
  - (a) The alternatives, if Option II (investment comparison analysis) is used. If one of the other alternatives has the best indicator (e.g. highest IRR), then the CDM project activity can not be considered as the most financially attractive;
  - (b) The financial benchmark, if Option III (benchmark analysis) is used. If the CDM project activity has a less favourable indicator (e.g. lower IRR) than the benchmark, then the CDM project activity cannot be considered as financially attractive.

Detailed assumptions used and the results of financial analysis for Panama Infrastructure, the project with the highest equity IRR, is presented below.

<b>Owner:</b>	<b>Panama Infrastructure</b>
Project:	1.6 MW
Location :	Karnataka

Assumptions for Financial Model
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Capacity of Machines in kW	800
Number of Machines	2
Project Capacity in MW	1.60
Project Commissioning Date	6-Mar-06
Project Cost (Rs. Million)	76
Project Cost per MW (Rs. In Millions)	47.5

Operations	
Plant Load Factor	26.5%
Insurance Charges @ % of capital cost	0.18%
Operation & Maintenance Cost base year @ % of capital cost	1.25%
% of escalation per annum on O & M Charges	5.0%



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Tariff	
Base year Tariff for 10 years - Rs./Kwh	3.40
Annual Escalation (Rs./kWh per Year)	0.00
Tariff applicable after 10 years (Rs/kWh)	Cost plus 16% return on equity

Project Cost	Rs Million
Land and Infrastructure, Generator & Electrical Equipments, Mechanical Equipments, Civil Works, Instrumentation & Control, Other Project Cost, Pre operative Expenses, etc.	
Total Project Cost	76

Means of Finance		Rs Million	
Own Source	25%	19.00	
Term Loan	75%	57.00	
Total Source		76.00	
Terms of Loan			
Interest Rate	9.00%		
Tenure	12.0	Years	
Moratorium	6	Months	

Income Tax Depreciation Rate (Written Down Value basis)	
on Wind Energy Generators	80%
On other Assets	10%
Book Depreciation Rate (Straight Line Method basis)	
On all assets	7.86%
Book Depreciation up to (% of asset value)	90%

Income Tax	
Income Tax rate	30%
Minimum Alternate Tax	10%
Surcharge	10%
Cess	2%

Working capital	
Receivables (no of days)	45
O & m expenses (no of days)	30
Working capital interest rate	12%

CER Revenues	
CER Price in US\$	6.50



Exchange rate Rs./US\$*	45.34
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\* RBI reference rate as of 15 November 2006

Crediting period starts	15-Sep-07
Length of Crediting period	10

Baseline Emission Factor for Southern Region (tCO <sub>2</sub> /GWh)	932.04
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The equity IRR for this sub project without CDM revenues is 11.56%, which improves to 15.07% after considering CDM revenues.

The financial analysis also demonstrates that the equity IRRs of other projects are in the range of 9% to 11.56% i.e. less than the benchmark rate of 16%. Equity IRRs of all sub projects that comprise the project activity are provided in Appendix 3.

***Sub-step 2d. Sensitivity analysis (only applicable to options II and III):***

9. Include a sensitivity analysis that shows whether the conclusion regarding the financial attractiveness is robust to reasonable variations in the critical assumptions. The investment analysis provides a valid argument in favor of additionality only if it consistently supports (for a realistic range of assumptions) the conclusion that the project activity is unlikely to be the most financially attractive (as per step 2c para 8a) or is unlikely to be financially attractive (as per step 2c para 8b).

Sensitivity analysis of the Equity IRR to the Plant Load Factor (the most critical assumption) has been carried out considering a plant load factor of 23% and 28% (the range indicated in KERC Order dated 18 January 2005). Plant Load Factor is the key variable encompassing variation in wind profile, variation in off-take (including grid availability) including machine downtime. The post tax Equity IRRs at the stated PLFs are as follows:

	PLF at 23%	PLF at 28%
Post tax Equity IRR without CER revenues	5.59%	14.41%
Post tax Equity IRR with CER revenues	8.42%	18.16%

As can be seen from above, the Project is not the most financially attractive (as per step 2c para 8a) we proceed to Step 4 (Common practice analysis).

**Step 4. Common practice analysis**

***Sub-step 4a. Analyze other activities similar to the proposed project activity:***

1. Provide an analysis of any other activities implemented previously or currently underway that are similar to the proposed project activity. Projects are considered similar if they are in the same country/region and/or rely on a broadly similar technology, are of a similar scale, and take place in a comparable environment with respect to regulatory framework, investment climate, access to



technology, access to financing, etc. Other CDM project activities are not to be included in this analysis. Provide quantitative information where relevant.

***Sub-step 4b. Discuss any similar options that are occurring:***

2. If similar activities are widely observed and commonly carried out, it calls into question the claim that the proposed project activity is financially unattractive (as contended in Step 2) or faces barriers (as contended in Step 3). Therefore, if similar activities are identified above, then it is necessary to demonstrate why the existence of these activities does not contradict the claim that the proposed project activity is financially unattractive or subject to barriers. This can be done by comparing the proposed project activity to the other similar activities, and pointing out and explaining essential distinctions between them that explain why the similar activities enjoyed certain benefits that rendered it financially attractive (e.g., subsidies or other financial flows) or did not face the barriers to which the proposed project activity is subject.
3. Essential distinctions may include a serious change in circumstances under which the proposed CDM project activity will be implemented when compared to circumstances under which similar projects were carried out. For example, new barriers may have arisen, or promotional policies may have ended, leading to a situation in which the proposed CDM project activity would not be implemented without the incentive provided by the CDM. The change must be fundamental and verifiable.

We analyze the extent to which wind energy projects have diffused in the electricity sector in Karnataka. In 2004 – 05, wind electricity generation was 485.57 GWh and the total electricity availability at bus-bar in the state of Karnataka was 33,523.92 GWh (Source: CEA General Review 2006). This works out to 1.45%, showing that wind energy power generation is insignificant as compared to other power project generation sources in Karnataka.

Installed capacity of wind energy generation sources stood at 276 MW as of 31 March 2005 (Source: CEA General Review 2006). There are approximately 201 MW wind energy projects that are currently in the CDM pipeline (UNFCCC website) and more are expected to follow.

Clearly, wind power project development in Karnataka is insignificant when compared to the power sector of Karnataka. Further, wind power project development is substantially dependent on CDM mechanism and thus is not common practice.

***Sub-steps 4a and 4b are satisfied.***

**Step 5. Impact of CDM registration**

Explain how the approval and registration of the project activity as a CDM activity, and the attendant benefits and incentives derived from the project activity, will alleviate the economic and financial hurdles (Step 2) or other identified barriers (Step 3) and thus enable the project activity to be undertaken.

Registering the project activity as a CDM activity provides a significant amount of revenue, improving the project's cash flow and improving the equity IRR by 3.74%. The revenues from sale of the Certified Emission Reductions would enhance the viability of the project and would partially offset the risks associated with the possible changes in policy, wind regime, project implementation risks (time and cost overruns), etc. Further, CER revenues will be high quality cash flows coming from creditworthy parties and denominated in foreign currency. The CDM revenues will attract new players to wind investments in



Karnataka, as they provide compensation for the regulatory and project risks implicit in the wind power projects.

## B.6. Emission reductions:

### B.6.1. Explanation of methodological choices:

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According to the approved baseline methodology ACM0002, the emission reductions  $ER_y$  by the project activity during a given year “y”<sup>1</sup> is

$$ER_y = BE_y - PE_y - Ly \dots \dots \dots (1)$$

Where:  $BE_y$  is the baseline emissions  
 $PE_y$  is project activity emissions and;  
 $Ly$  is the amount of emissions leakage resulting from the project activity.

Baseline Emissions for the amount of electricity supplied by project activity,  $BE_y$  is calculated as

$$BE_y = EG_y * EF_y \dots \dots \dots (2)$$

where  $EG_y$  is the electricity supplied to the grid,  $EF_y$  is the CO<sub>2</sub> emission factor of the grid as calculated below.

The emission factor  $EF_y$  of the grid is represented as a combination of the Operating Margin (OM) and the Build Margin (BM). Considering the emission factors for these two margins as  $EF_{OM,y}$  and  $EF_{BM,y}$ , then the  $EF_y$  is given by:

$$EF_y = w_{OM} * EF_{OM,y} + w_{BM} * EF_{BM,y} \dots \dots \dots (2)$$

with respective weight factors  $w_{OM}$  and  $w_{BM}$  (where  $w_{OM} + w_{BM} = 1$ ).

### The Operating Margin emission factor

As per ACM0002, dispatch data analysis should be the first methodological choice. However, this option is not selected because the information required to calculate OM based on dispatch data is not available in the public domain for the Southern electricity regional grid.

The Simple Operating Margin approach is appropriate to calculate the Operating Margin emission factor applicable in this case. As per ACM 0002 the Simple OM method can only be used where low cost must run resources constitute less than 50% of grid generation based on average of the five most recent years. The generation profile of the Southern grid in the last five years is as follows:

<sup>1</sup> Throughout the document, the suffix y denotes that such parameter is a function of the year y, thus to be monitored at least annually.



Generation in GWh	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Low cost/must run sources</b>					
Hydro	24,951	16,943	18,288	26,260	29,902
Wind & Renewables	3,256	1,865	1,607	1,456	1,262
Nuclear	4,408	4,700	4,390	5,244	4,331
<b>Other sources</b>					
Coal	99,010	98,435	92,053	84,032	83,292
Diesel	2,434	3,295	4,379	4,155	2,868
Gas	12,428	14,214	13,950	10,331	7,132
<b>Total Generation</b>	<b>146,487</b>	<b>139,451</b>	<b>134,667</b>	<b>131,478</b>	<b>128,787</b>
Low cost/must run sources	32,615	23,508	24,285	32,960	35,496
Low cost/must run sources	22%	17%	18%	25%	28%

Source: Table 3.4 of CEA General Review 2004-05, 2003-04, 2002-03, 2001-02, 2000-01

From the available information it is clear that low cost/must run sources account for less than 50% of the total generation in the Southern grid in the last five years. Hence the Simple OM method is appropriate to calculate the Operating Margin Emission factor applicable.

### Build Margin Emission Factor

The Build Margin emission factor  $EF_{BMy}$  (tCO<sub>2</sub>/GWh) is given as the generation-weighted average emission factor of the selected representative set of recent power plants represented by the 5 most recent plants or the most recent 20% of the generating units built (summation is over such plants specified by k):<sup>2</sup>

$$EF_{BMy} = [\sum_i F_{i,m,y} * COEF_i] / [\sum_k GEN_{k,m,y}] \dots \dots \dots (5)$$

as the default method. The summation over  $i$  and  $k$  is for the fuels and electricity generation of the plants in sample  $m$  mentioned above.

The choice of method for the sample plant is the most recent 20% of the generating units built as this represents a significantly larger set of plants, for a large regional electricity grid have a large number of power plants connected to it, and is therefore appropriate.

The Central Electricity Authority, Ministry of Power, Government of India has published a database of Carbon Dioxide Emission from the power sector in India based on detailed authenticated information obtained from all operating power stations in the country. This database i.e. The CO<sub>2</sub> Baseline Database provides information about the Operating Margin and Build Margin Emission Factors of all the regional electricity grids in India. The Operating Margin in the CEA database is calculated ex ante using the Simple OM approach and the Build Margin is calculated ex ante based on 20% most recent capacity additions in the grid based on net generation as described in ACM0002. We have, therefore, used the

<sup>2</sup> The project participant is to demonstrate which is appropriate for the proposed project to the Operational Entity, otherwise, more conservative one is selected.





Operating Margin and Build Margin data published in the CEA database, for calculating the Baseline Emission Factor.

### Combined Margin Emission Factor

As already mentioned, baseline emission factor (EFy) of the grid is calculated as a combined margin (CM), calculated as the weighted average of the operating margin (OM) and build margin (BM) factor. In case of wind power projects default weights of 0.75 for  $EF_{OM}$  and 0.25 for  $EF_{BM}$  are applicable as per ACM0002. No alternate weights are proposed.

Using the values for operating margin and build margin emission factors provided in the CEA database and their respective weights for calculation of combined margin emission factor, the baseline carbon emission factor (CM) is 932.04 tCO<sub>2</sub>e/GWh or 0.93204 tCO<sub>2</sub>e/MWh.

### Project Emissions:

The project activity uses wind power to generate electricity and hence the emissions from the project activity are taken as nil.

$$PE_y = 0$$

### Leakage:

Emissions Leakage on account of the project activity is ignored in accordance with ACM0002.

$$L_y = 0$$

### B.6.2. Data and parameters that are available at validation:

>>

<b>Data / Parameter:</b>	$EF_{OM,y}$						
Data unit:	tCO <sub>2</sub> e/MWh						
Description:	Operating Margin Emission Factor of Southern Regional Electricity Grid						
Source of data used:	“CO <sub>2</sub> Baseline Database for Indian Power Sector” published by the Central Electricity Authority, Ministry of Power, Government of India.  The “CO <sub>2</sub> Baseline Database for Indian Power Sector” is available at <a href="http://www.cea.nic.in">www.cea.nic.in</a>						
Value applied:	<table border="1"> <tr> <td>2002 – 03</td><td>0.9970</td></tr> <tr> <td>2003 – 04</td><td>1.0094</td></tr> <tr> <td>2004 – 05</td><td>1.0038</td></tr> </table>	2002 – 03	0.9970	2003 – 04	1.0094	2004 – 05	1.0038
2002 – 03	0.9970						
2003 – 04	1.0094						
2004 – 05	1.0038						
Justification of the choice of data or description of measurement methods and procedures actually applied :	Operating Margin Emission Factor has been calculated by the Central Electricity Authority using the simple OM approach in accordance with ACM0002.						



<b>Data / Parameter:</b>	<b><math>EF_{BM,y}</math></b>
Data unit:	tCO <sub>2</sub> e/MWh
Description:	Build Margin Emission Factor of Southern Regional Electricity Grid
Source of data used:	“CO <sub>2</sub> Baseline Database for Indian Power Sector” published by the Central Electricity Authority, Ministry of Power, Government of India.  The “CO <sub>2</sub> Baseline Database for Indian Power Sector” is available at <a href="http://www.cea.nic.in">www.cea.nic.in</a>
Value applied:	0.7180
Justification of the choice of data or description of measurement methods and procedures actually applied :	Build Margin Emission Factor has been calculated by the Central Electricity Authority in accordance with ACM0002.

**B.6.3 Ex-ante calculation of emission reductions:**

&gt;&gt;

Ex-ante calculation of emission reductions is equal to ex-ante calculation of baseline emissions as project emissions and leakage are nil.

Baseline emission factor (combined margin)  
= 932.04 tCO<sub>2</sub>e/GWh

Annual electricity supplied to the grid by the Project  
= 30.40 MW (Capacity) x 26.5% (PLF) x 8760 (hours) / 1000 GWh  
= 70.57056 GWh

Annual baseline emissions  
= 932.04 tCO<sub>2</sub>e/GWh x 70.57056 GWh  
= 65,774 tCO<sub>2</sub>e

**B.6.4 Summary of the ex-ante estimation of emission reductions:**

&gt;&gt;

Year	Estimation of project activity emissions (tonnes of CO <sub>2</sub> e)	Estimation of baseline emissions (tonnes of CO <sub>2</sub> e)	Estimation of leakage (tonnes of CO <sub>2</sub> e)	Estimation of overall emission reductions (tonnes of CO <sub>2</sub> e)
25 October 2007 to 31 March 2008	0	22,565	0	22,565
01 April 2008 to 31 March 2009	0	65,774	0	65,774
01 April 2009 to 31 March 2010	0	65,774	0	65,774



01 April 2010 to 31 March 2011	0	65,774	0	65,774
01 April 2011 to 31 March 2012	0	65,774	0	65,774
01 April 2012 to 31 March 2013	0	65,774	0	65,774
01 April 2013 to 31 March 2014	0	65,774	0	65,774
01 April 2014 to 31 March 2015	0	65,774	0	65,774
01 April 2015 to 31 March 2016	0	65,774	0	65,774
01 April 2016 to 31 March 2017	0	65,774	0	65,774
01 April 2017 to 24 October 2017	0	43,209	0	43,209
<b>Total (tonnes of CO<sub>2</sub>e)</b>	0	657,740	0	657,740

<b>B.7 Application of the monitoring methodology and description of the monitoring plan:</b>	
<b>B.7.1 Data and parameters monitored:</b>	
<b>Data / Parameter:</b>	<b>EGy</b>
Data unit:	MWh (Mega-watt hour)
Description:	Net electricity supplied to the grid by the Project
Source of data to be used:	Electricity supplied to the grid as per the tariff invoices raised on KPTCL/BESCOM/HESCOM.
Value of data applied for the purpose of calculating expected emission reductions in section B.5	Annual electricity supplied to the grid by the Project = 30.40 MW (Capacity) x 26.5% (PLF) x 8760 (hours) MWh = 70570.56MWh
Description of measurement methods and procedures to be applied:	Net electricity supplied to grid will be measured by main meters (export and import). The procedures for metering and meter reading will be as per the provisions of the power purchase agreement. Refer Annex – 4 for an illustration of the provisions for measurement methods.
QA/QC procedures to be applied:	QA/QC procedures will be as implemented by KPTCL/BESCOM pursuant to the provisions of the power purchase agreement. Refer Annex – 4 for an illustration of the provisions for QA/QC procedures.
Any comment:	The data is archived for a period up to 2 years after the finishing of crediting period.

**B.7.2 Description of the monitoring plan:**

&gt;&gt;



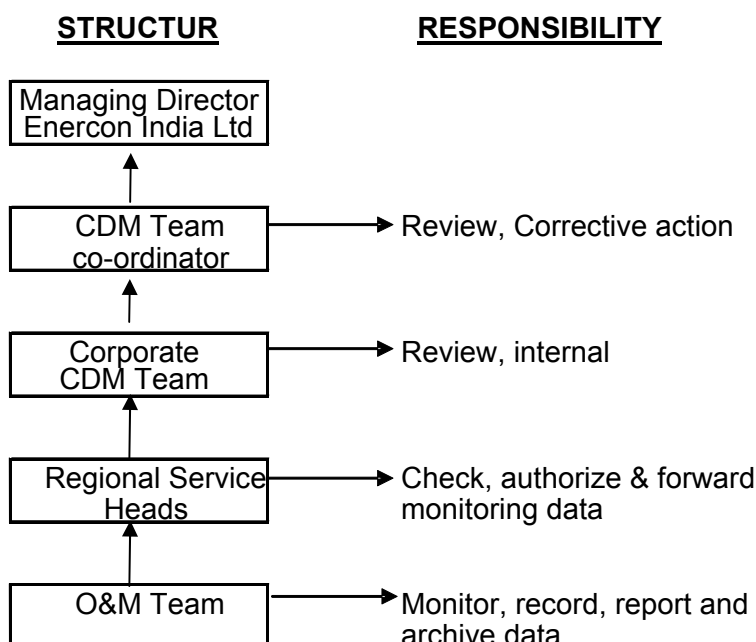
Approved monitoring methodology ACM0002 / Version 06 Sectoral Scope: 1, “Consolidated monitoring methodology for zero-emissions grid-connected electricity generation from renewable sources”, by CDM - Meth Panel is proposed to be used to monitor the emission reductions.

This approved monitoring methodology requires monitoring of the following:

- Electricity generation from the project activity; and
- Operating margin emission factor and build margin emission factor of the grid, where *ex post* determination of grid emission factor has been chosen

Since the baseline methodology is based on *ex ante* determination of the baseline, the monitoring of operating margin emission factor and build margin emission factor is not required.

The sole parameter for monitoring is the electricity supplied to the grid. The Project is operated and managed by Enercon (India) Ltd. The operational and management structure implemented by Enercon is as follows:



#### **Training and maintenance:**

Training on the machine is an essential pre-requisite, to ensure necessary safety of man and machine. Further, in order to maximize the output from the Wind Energy Converters (WECs), it is extremely essential, that the engineers and technicians understand the machines and keep them in good health. In order to ensure, that Enercon's service staff is deft at handling technical snags on top of the turbine, the necessity of ensuring that they are capable of climbing the tower with absolute ease and comfort has been established. The Enercon Training Academy provides need-based training to meet the training requirements of Enercon projects. The training is contemporary, which results in imparting focused knowledge leading to value addition to the attitude and skills of all trainees. This ultimately leads to creativity in problem solving.

**B.8 Date of completion of the application of the baseline study and monitoring methodology and the name of the responsible person(s)/entity(ies)**

&gt;&gt;

Date of completion: 12/02/2007

Name of responsible person/entity:

PricewaterhouseCoopers (not a Project Participant)

**SECTION C. Duration of the project activity / crediting period****C.1 Duration of the project activity:****C.1.1. Starting date of the project activity:**

&gt;&gt;

17/08/2005

**C.1.2. Expected operational lifetime of the project activity:**

&gt;&gt;

20 years

**C.2 Choice of the crediting period and related information:****C.2.1. Renewable crediting period****C.2.1.1. Starting date of the first crediting period:**

&gt;&gt;

**C.2.1.2. Length of the first crediting period:**

&gt;&gt;

**C.2.2. Fixed crediting period:****C.2.2.1. Starting date:**

&gt;&gt;

25/10/2007; or date of registration with CDM-EB whichever is later

**C.2.2.2. Length:**

&gt;&gt;

10 years

**SECTION D. Environmental impacts**

&gt;&gt;

**D.1. Documentation on the analysis of the environmental impacts, including transboundary impacts:**

&gt;&gt;

Enercon appointed Aditya Environmental Services Private Limited to conduct Rapid Environmental Impact Assessment Study, in the districts of Chitradurga and Gadag where the project activity of Enercon is located, to assess the impact of the project on the local environment

Environmental Impact Assessment (EIA) of this project is not an essential regulatory requirement, as it is not covered under the categories as described in EIA Notification of 1994 or the Amended Notification of 2006. However, Enercon conducted the EIA to study impacts on the environment resulting from the project activity.

The EIA study included identification, prediction and evaluation of potential impacts of the CDM activities on air, water, noise, land, biological and socio-economic environment within the study area. The ambient air concentrations of Suspended Particulate Matter, Respirable Particulate Matter, Oxides of Nitrogen, Sulphur dioxide and Carbon Monoxide were monitored and were found under limits as specified by CPCB. The noise levels were observed through out the study period and were found to be in the permissible range. Water quality monitoring studies were carried out for determination of physico-chemical characteristics of bore wells. The ph level of water was found to be under the specified limits.

The study area represents part of Chitradurga and Gadag districts. The terrain comprises hilly areas which are sparingly populated, the hills are generally covered with shrubs and grass and trees are not found on the hilltops. Moreover the project area doesn't fall under any protected land for wildlife and it has no adverse ecological impacts on the surroundings, flora and fauna found in the vicinity of the project area. The wind-farms do not effect the path of migratory birds.

**D.2. If environmental impacts are considered significant by the project participants or the host Party, please provide conclusions and all references to support documentation of an environmental impact assessment undertaken in accordance with the procedures as required by the host Party:**

&gt;&gt;

EIA demonstrated that there is no major impact on the environment due to the installation and operation of the windmills. The local ecology is not likely to get impacted by this type of project activity. The local population confirmed that there is no noise or dust nuisance due to windmills. The EIA also ruled out any adverse impacts due to the project activity.

**SECTION E. Stakeholders' comments**

&gt;&gt;

**E.1. Brief description how comments by local stakeholders have been invited and compiled:**

&gt;&gt;

The comments from local stakeholders were invited through local stakeholder meeting conducted on 2 September at Arashinagundi Village, Hiriyr in Chitradurga District and 15 June 2006 in Dhoni, Mundaragi in Gadag district. An advertisement was placed in a local newspaper in Vijaya Karnataka on



19 August 2006 inviting the local stakeholders for the meeting for the Chitradurga district projects and in Vijaya Karnataka on 4 June 2006 for the Gadag district projects.

The local stakeholder consultation meeting had representatives from the nearby villages, representatives of Enercon and representative of Aditya Environmental Services (consultant to Enercon) in Chitradurga district and representative of Care Sustainability (consultant to Enercon) in Gadag district. The minutes of the two meetings are set out in Appendix 2.

<b>E.2. Summary of the comments received:</b>
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**Chitradurga district:**

The local stakeholders commented that the development of wind projects has helped the local villagers and provided employment. Further, there is no impact of windmills on the rainfall in the region. The local stakeholders queried Enercon if any afforestation work is being conducted, impact on ground water, generation capacity of the machine, if public can purchase the machines and whether revenue land is used wherever electricity overhead lines pass through.

The local villagers responded to the questions queries made by Enercon by stating that there is no noise pollution as the projects are located in hilltops and away from villages. Further, there is no water draining and soil erosion due to wind mills and there has been no problem with No cattle grazing in the hills. There has been better food production due to better quality of electricity and less load shedding. There has been no deforestation noticed except while road formation and installation of machines and no damage or accidents during construction or erection.

**Gadag district:**

The local stakeholders commented that there is no adverse impact of wind project activities including no adverse impact on livelihood. The local villages do not use the hill tops or slopes for cattle grazing. There is no impact on ground water or supply of water to agriculture fields. There is no disturbance or high noise level due to operation of the wind mills. There have been no accidents and no disturbance or heavy traffic on account of wind mills. No dust emissions were observed at project site or in the neighbourhood. The wind projects have not affected migratory path of birds. There have been local employment opportunities. Improvement in quality of electricity supply has been observed.

The local stakeholders suggested that in addition to planting medicinal plants at the project site, Enercon should also plant them at the down plains. Enercon should extend help to villagers by providing “lift/transportation” and additional watchmen should be deployed to warn of forest fire.

<b>E.3. Report on how due account was taken of any comments received:</b>
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Enercon provided the following responses in relation to the comments received from the local stakeholders in Chitradurga district:

- Enercon is carrying out afforestation work in all the hills where the wind turbines are installed.



- There is no impact on ground water due to wind mills.
- Generation capacity of wind mills is 800 kW.
- It is possible to purchase wind mills. In Maharashtra, farmers association has purchased one wind machine.
- Revenue land is not being used wherever electrical overhead lines pass. Access to the land is required only for line inspection in case of a fault.

Enercon provided the following responses in relation to the comments received from the local stakeholders in Gadag district:

- Regarding planting medicinal plants, Enercon is currently doing it at the project site and would also be planting on the slopes.
- Regarding assistance with transport, Enercon would do their best to provide help to the villagers in the emergency cases.
- Regarding forest fire warning/safety, Enercon would be constructing a three feet trench on the slopes and around the project site. It has also instructed watchmen and security guards to be vigilant and provide warning in the cases of occurrences of forest fires.



**Annex 1****CONTACT INFORMATION ON PARTICIPANTS IN THE PROJECT ACTIVITY**

Organization:	Enercon (India) Limited
Street/P.O.Box:	A-9, Veera Industrial Estate, Veera Desai Road, Andheri (West)
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Represented by:	
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Salutation:	Mr.
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Represented by:	
Title:	Director General
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**Annex 2**

**INFORMATION REGARDING PUBLIC FUNDING**

There is no ODA being used to fund the project activity.

**Annex 3****BASELINE INFORMATION**

The Operating Margin data for the most recent three years and the Build Margin data for the Southern Region Electricity Grid as published in the CEA database are as follows:

**Simple Operating Margin**

	tCO <sub>2</sub> e/GWh
Simple Operating Margin - 2002-03	997.02
Simple Operating Margin - 2003-04	1,009.37
Simple Operating Margin - 2004-05	1,003.76
Average Operating Margin of last three years	1,003.38

**Build Margin**

	tCO <sub>2</sub> e/GWh
Build Margin	717.99

**Combined Margin calculations**

	Weights	tCO <sub>2</sub> e/GWh
Operating Margin	0.75	1003.38
Build Margin	0.25	717.99
<b>Combined Margin</b>		<b>932.04</b>

Detailed information on calculation of Operating Margin Emission Factor and Build Margin Emission Factor is available at [www.cea.nic.in](http://www.cea.nic.in).



#### Annex 4

### MONITORING INFORMATION

- **Metering:** Electricity supplied to the grid is metered by the Parties (KPTCL, Enercon and the Project) at the high voltage side of the step up transformer installed at the Project Site.
- **Metering Equipment:** Metering equipment is electronic trivector meters of accuracy class 0.2% required for the Project (both main and check meters). The main meter is installed and owned by the Project, whereas check meters are owned by KPTCL. The metering equipment is maintained in accordance with electricity standards prevalent in Karnataka. The meters installed are capable of recording and storing half hourly readings of all the electrical parameters for a minimum period of 35 days with digital output.
- **Meter Readings:** The monthly meter readings (both main and check meters) is taken jointly by the parties on the first day of the following month at 12 Noon. At the conclusion of each meter reading an appointed representative of KPTCL and Enercon sign a document indicating the number of Kilowatt-hours indicated by the main meter.
- **Inspection of Energy Meters:** All the main and check energy meters (export and import) and all associated instruments, transformers installed at the Project are of 0.2% accuracy class. Each meter is jointly inspected and sealed on behalf of the Parties and is not to be interfered with by either Party except in the presence of the other Party or its accredited representatives.
- **Meter Test Checking:** All the main and check meters are tested (and calibrated if found necessary) for accuracy on annual basis with reference to a portable standard meter. The portable standard meter is owned by KPTCL. The main and check meters shall be deemed to be working satisfactorily if the errors are within specifications for meters of 0.2 accuracy class. The consumption registered by the main meters alone will hold good for the purpose of metering electricity supplied to the grid as long as the error in the main meters is within the permissible limits.

If during the meter test checking,

- the main meter is found to be within the permissible limit of error and the corresponding check meter is beyond the permissible limits, then the meter reading will be as per the main meter as usual. The check meter shall, however, be calibrated immediately.
- the main meter is found to be beyond permissible limits of error, but the corresponding check meter is found to be within permissible of error, then the meter reading for the month up to the date and time of such test shall be as per the check meter. There will be a revision in the meter reading for the period from the previous calibration test up to the current test based on the readings of the check meter. The main meter shall be calibrated immediately and meter reading for the period thereafter till the next monthly meter reading shall be as per the calibrated main meter.
- both the main meters and the corresponding check meters are found to be beyond the permissible limits of error, both the main meters shall be immediately calibrated and the correction applied to the reading registered by the main meter to arrive the correct reading of energy supplied for metering electricity supplied to the grid for the period from the last month's meter reading up to



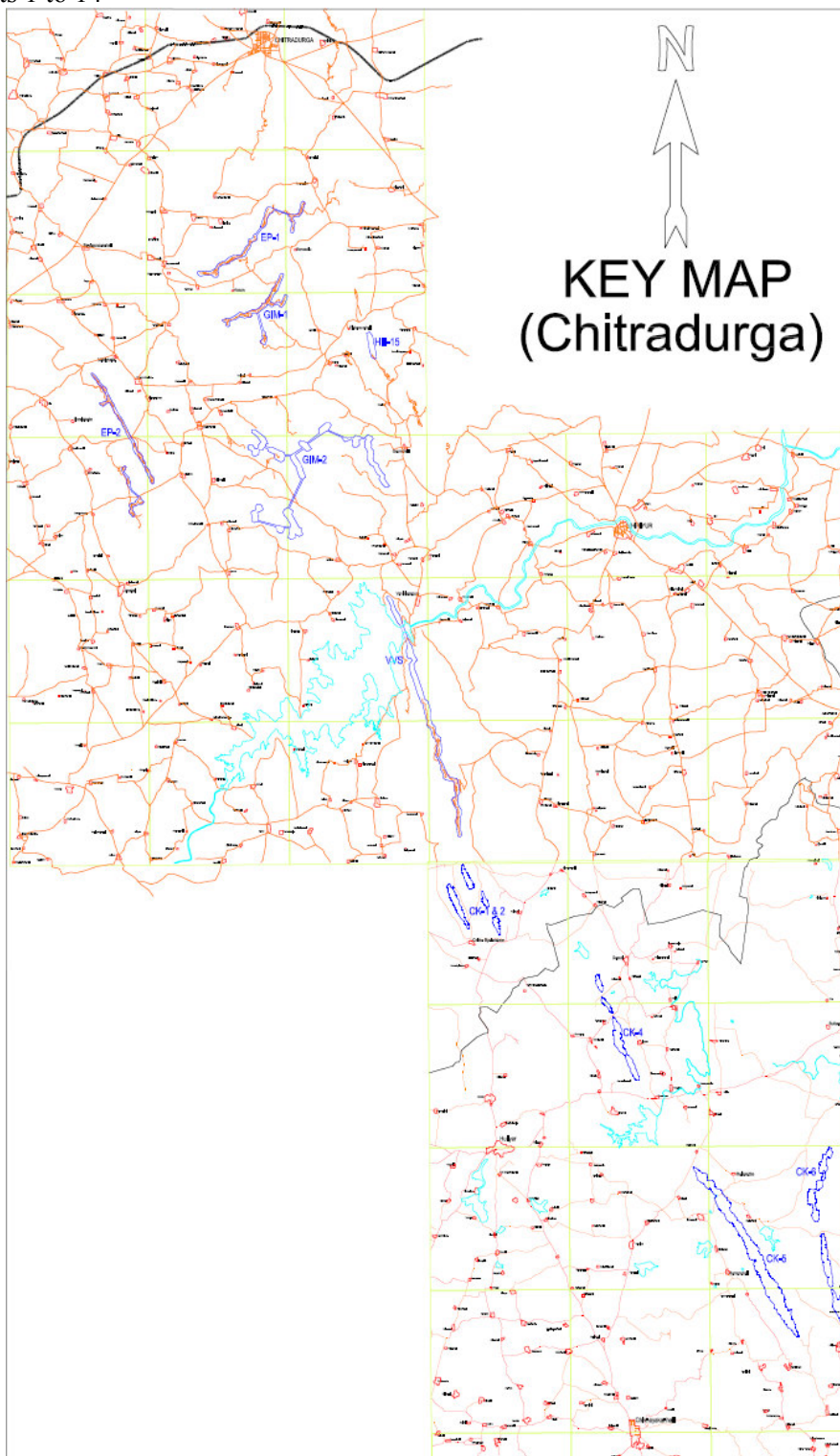
the current test. Meter reading for the period thereafter till the next monthly reading shall be as per the calibrated main meter.

- If during any of the monthly meter readings, the variation between the main meter and the check meter is more than the permissible limit for meters of 0.2% accuracy class, all the meters shall be re-tested and calibrated immediately.

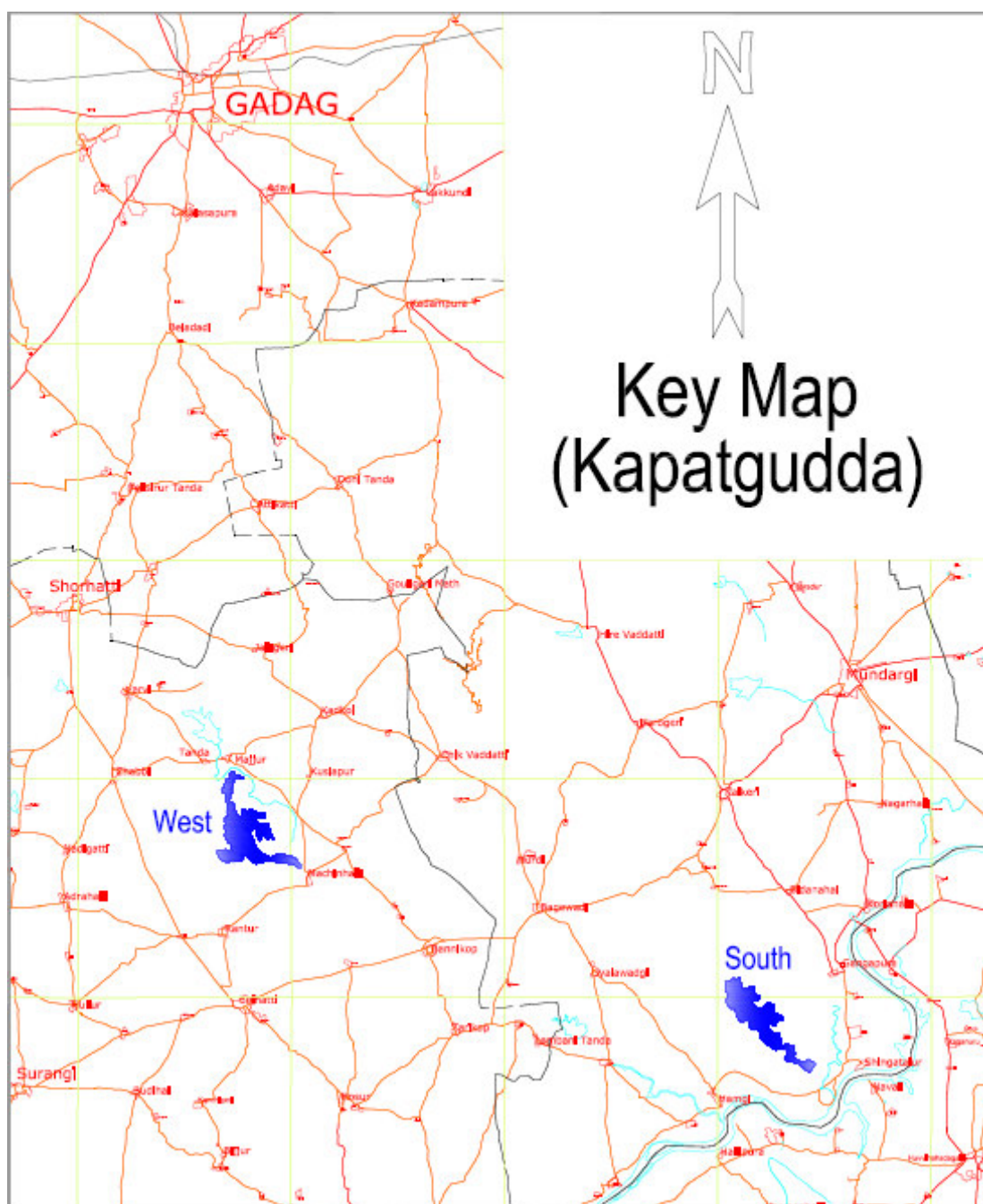


## Appendix 1 – Location Map

For sub-Projects 1 to 14



For sub-Projects 15 to 18







## Appendix 2 – Minutes of stakeholder consultation meeting

**Public Consultation Meeting for Wind Farm Projects as Clean Development Mechanism Projects at sites – CK 1&2, Gim Sites and VVS, Chitradurga District, Karnataka State.**

**Venue: Enercon (India) Limited, CK 1 & 2 Site, Arashinagundi Village, Hiriya, Chitradurga Dist.**

**Date: 02<sup>nd</sup> September 2006, 10 am – 12 pm**

### **Members from the Villages:**

1. Sri. Thimmanna
  2. Sri. Kanumappa
  3. Sri. Rajappa
- And 19 participants from the village.

### **Members from Enercon (India) Ltd., Chitradurga**

1. Mr. C.B.Poonacha
2. Mr. Sajith
3. Mr. Fathahulla
4. Mr. Naveen Kumar
5. Mr. Ravidhara

### **Members from Enercon(India) Ltd., Mumbai**

1. Mr. Vivek Sen
2. Mr. Neeraj Gupta

### **Members from Aditya Environmental Services Pvt. Ltd.**

1. **Mr. Gurmeet Singh**

### **Agenda of the Meeting:**

1. Welcome Address and Introduction
2. Project Profile, CDM, Environmental and social issues
3. Description about Wind Energy Conversion.
4. Suggestions and Opinions
5. Queries and Responses from the Stakeholders and Co. Authorities respectively.
6. Vote of Thanks.

1. **Welcome Address:** In the Welcome Address, Mr. C.B.Poonacha has briefed about the purpose of this Public Meeting, how Wind Mills and Wind Energy are occupied major role in generating power thereby rural population is benefited. Further he was pointing out how the benefits of employment opportunities, economical growth taken place in the areas. And also he has quoted examples of various social and religious activities taken up in the villages, for ex. construction of temples, roads through villages etc.

Then Mr. C.B.Poonacha invited Mr. Thimmanna, Village Panchayat leader to preside over the meeting and conducts the further proceedings. And also he has invited village leaders viz. Mr. Kanumappa and Mr. Rajappa on the dias.



## 2. Project Profile:

**Mr. Md. Fathahulla:** Mr. Md. Fathahulla has described about the Wind Mills and how the Wind Power is generated, why it is called Green Energy and our project is emission free and it is pollution free energy when compared with Thermal power. He reiterated that in Thermal Power, carbon would be emitted into the air, which causes air pollution. He said that the public would not have any bad impact by the Wind Mills. When asked by the villagers about the clouds running away due to running of Wind Mills and thereby causing deficiency in rainfall, Mr. Fathahulla has cleared the doubts of the stakeholders by convincing them about the height of the clouds and the height of the Wind Mill Erector. He said we are conducting afforestation and drainage work to eradicate the soil erosion from the hills. He also informed that the co-operation by the villagers required for successful completion and service of Wind Mills.

**Mr. Ravidhara:** Mr. Ravidhara has described to the villagers how the power is converted from Wind to Electricity and how the generators are running and generate electricity power. And also he has specified where the generated power will be transmitted and at what rate. He has told about the safety measures taken in our Wind Erectors and automatic stoppage of m/c with more rpm in order to avoid any untoward incidence.

## 3. President's Address:

- a) Sri. Thimmanna who has presided over the meeting has informed the villagers about how Wind Mills are helped our Villagers and Farmers, benefits to the unemployed one. And we have benefited more from wind mills rather loss of any kind. He also strongly quoted that "The economic and social life has changed due to wind mills in and around Chitradurga Villages. He extended fullest cooperation for development of such activities and also stated that lack of rainfall in the region is not due to Wind Mills. Since last two years we had plenty of rainfall. He also pledged that the cooperation from our villagers is there in future also and sought the same from Enercon.
- b) Sri. Kanumappa has accepted that the temple work is been completed by Enercon only and praised about the social and religious activities by Enercon. Eco friendly project like wind power should come up in all villages which will not harm any environmental balancing, he specified.
- c) Sri. Rajappa, who has told that there was no rainfall shortage due to Wind Mills.

### Questionnaire:

#### a) By the Stakeholders:

- i) Are you conducting afforestation work in the hills where the plants are removed?  
Ans: Yes, We are doing afforestation work in all the hills where M/cs are installed.
- ii) Are there any chances of drying up Ground Water?  
Ans: No, Wind Mills do not use any ground water for its process.
- iii) What is the generation capacity of the Machine?  
Ans: 800 KW per hour.
- iv) Is there any scope of purchasing machine by the public?  
Ans: Yes, In Maharashtra farmers association has purchased one machine.
- v) There is a rumour that revenue land is used wherever the electrical line passes through? Is it true?  
Ans: No, Only line inspection will be done.



**b) By the Company:**

i) Is there any Noise Pollution by running the Wind Mills?

Ans: So far no idea. But as it is in hilltops and away from villages such nuisance may not happen.

ii) Is there any water draining, soil erosion due to Wind Mills?

Ans: No, such incidence not occurred.

iii) Is there any problem for animals grazing in the hills?

Ans: No, Cattle are grazing in hill areas as usual.

iv) How Wind Mills helped in improvement of Crops?

Ans: By increase in voltage capacity and less load shedding results in increase in food grain production.

v) Have you observed any deforestation problem?

Ans: No, Except while forming the roads and installing the machines, there found no deforestation is taken place.

vi) During construction or erection any damages or accidents occurred?

Ans: Absolutely not. The Project work is taken up very smoothly and run with more safety standards.

For further queries the representatives from ENERCON put forward to the participants that they could raise any queries within a week and the same can be submitted at ENERCON Office, Bangalore as the address mentioned in the Paper Notification on 19<sup>th</sup> Aug. 2006.

**Vote of Thanks:** **Mr. Naveen Kumar** thanked the village leaders and villagers who have set aside their work and shown interest and eagerness to know about the Wind Mills. He also sought cooperation from all the corners for successful operation of windmills thereby achieving the National Target of self-sufficiency in Power Sector.



### MINUTES OF THE PUBLIC CONSULTATION STAKEHOLDERS MEETING HELD AT GADAG, KARNATAKA ON 15/06/06

*Venue: The meeting is held at Panchayat office, Dhoni, Mundaragi, GADAG, which is about Nine Km. From the project site.*

The meeting has begun at 3:30pm. There are more than forty people attending the meeting. The participants are the people from the villages surrounding the project site- Dambal, Dhoni-Thanda, Kadampura, Katkol, HireVaddatti. Other participants are the panchayat officials- President and Vice President, Representatives from ENERCON, and CARE SUSTAINABILITY

The language of meeting is Kannada. In between Hindi was also used.

The meeting began with the appointment of chairman for the meeting Mr. K.S. Narayanpur. The agenda for the meeting has been as follows:

- Welcome to the participants (by representatives from ENERCON)
- Brief to the participants about the project and CLEAN DEVELOPMENT MECHANISM (CDM)
- Questions and answers: concerns/issues/comments/ about the project and related matters by the participants
- Response from ENERCON
- Announcement by the representatives of ENERCON
- Vote of thanks

*The list of the participants with their names and signature are in attached sheet.*

The meeting proceeded as per agenda

Table below gives the concerns/issues/comments from the participants and response from ENERCON

Sr. No	Questions/concerns/issues/comments relating to the CDM activity	Details of concerns/issues/comments expressed by the participants	Response from ENERCON
1	How does the project impact the general quality of the people	All participants expressed that the establishment of the wind units do not adversely affect them (villagers around the project). In brief the projects neither adversely nor bring significant benefits to them. All of them expressed they are happy with the project activity	-
2	Any impact on the livelihood of the villagers	Villagers expressed that their livelihood have not been impacted adversely by the establishment of the wind units. The hill tops or slopes have not been used by them for grazing the cattle.	-
3	Does the project increase the employment opportunities	The following facts have been given by the villagers. During the construction stage, most of the	For locals with ITL(technical



		<p>laborers have been locals.</p> <p>During operation stage, at present out of the six local technical staff, two of them at present are locals.</p> <p>All security staff are locals. The drivers are locals.</p>	<p>training) qualifications, ENERCON does provide employment in technical category. Most of the unskilled workers are locals.</p>
4	Does the project improves the electricity supply to villagers/ neighborhood areas	<p>Improvements in the voltage fluctuations and supply are observed. KPCL has established a Sub Station at Dambal</p> <p>There are more than six hundred water pumps (for agricultural activities ) in the neighborhood. Operations of them have become for time and without fluctuations at present</p>	<p>Conditions of electricity and voltage fluctuations have improved this year compared to last year, and is expected to improve further. Only KPCL and ENERCON have the functioning wind units at the present.</p>
5	Would the project result in drinking water shortage/ increase in shortage of water for agriculture	<p>Water Table has decreased in recent times in the neighborhood agricultural areas. Villagers themselves have expressed that this is not due to the establishment of wind units, but due to the increase in the agricultural activities and number of bore wells in the areas.</p>	-
6	Would the erection of the wind unit result in stoppage of water to agricultural field	<p>Villagers expressed that no stoppage of the water due to the construction of the units and the approach roads to the wind units.</p>	-
7	Would the project increase the noise level in the neighborhood areas and affect the villagers	<p>Villagers expressed that there is no disturbance nor high noise levels are present due to the operation of the wind units</p>	-
8	Any occurrence of accidents. Would the project increase undesirable vehicular traffic during construction or during operation phase	<p>Villagers expressed that no accidents so far have occurred. Also no disturbance or heavy traffic due to the establishment of wind units</p>	-
9	Would the project increase dust particles	<p>During the construction nor the operation stage, no dust emissions are observed in the project sites nor the neighborhood</p>	-
10	Tree/ plantations	<p>Villagers suggested that planting of the medicinal plants could be carried out at the down plains.</p>	<p>ENERCON is planting medicinal plants at the project site. They would also be planting on the slopes.</p>
11	Social welfare activities	<p>Villagers expressed that help should be</p>	<p>ENERCON would</p>



		extended to villagers by providing “lifts”/transportation, when they request during cases like “deliveries” cases etc.	do their best of provide help to the villagers in the emergency cases.
12	Forest fire	Villagers expressed fear about the occurrence of forest fire on the hills. (last year there was heavy forest fire on the hill tops). “ <b>Kalpatamallaiah</b> ” temple which is worshipped by the villagers is located on the hill. There should be additional watchmen to be deployed by ENERCON for warning the villagers in the event of forest fire.	ENERCON told about the efforts being made by them. They would be constructing a three feet trench on the slopes and around the project site. Also watchmen and security guards have been instructed to be vigilant and provide warning in the cases of occurrences of forest fires
13	Does any disturbance to Avi fauna occur due to the wind units?	Villagers expressed that due to the increased usage of pesticide in the agricultural areas in the neighbourhood there is a decrease in the birds due to the lack of insects/worms etc. There is no bird’s migratory path in the areas	-

The representative of ENERCON announced that if the villagers or the participants still wish to bring to notice of ENERCON any further issues/concerns/comments about the wind farms owned by ENERCON, they may approach and convey to their respective representative Mr. Mahesh Arali located at the project site. The response could be made during the next one month starting from the date of 15/06/06

The meeting closed with giving thanks to all the participants and the chairman of the meeting.



**Appendix 3**  
**Equity IRR of all sub projects**

Name of Customers	Type of Mc	No. of Mc	MW	Date of Commissioning	Project Cost	Debt %	Equity %	Interest rate %	loan tenure (Yrs)	Equity IRR (Without CDM)	Equity IRR (With CDM)
Enercon Wind Farms (Chitradurga) Ltd	0.80	11	8.80	May-06	440.0	70.0%	30.0%	8.5%	10.00	10.86%	13.35%
Panama Business Centre	0.80	2	1.60	Mar-06	76.0	75.0%	25.0%	9.0%	12.00	11.56%	15.07%
Balasahab Ladkat	0.80	2	1.60	Mar-06	76.0	75.0%	25.0%	9.0%	12.00	11.56%	15.07%
Elpro International	0.80	1	0.80	Mar-06	38.0	70.0%	30.0%	10.8%	7.00	9.19%	11.33%
Gautam Ladkat	0.80	1	0.80	Mar-06	38.0	75.0%	25.0%	9.0%	12.00	11.56%	15.07%
<b>Panama Infrastructure</b>	<b>0.80</b>	<b>2</b>	<b>1.60</b>	<b>Mar-06</b>	<b>76.0</b>	<b>75.0%</b>	<b>25.0%</b>	<b>9.0%</b>	<b>12.00</b>	<b>11.56%</b>	<b>15.07%</b>
Sameer Ladkat	0.80	1	0.80	Mar-06	38.0	75.0%	25.0%	9.0%	12.00	11.56%	15.07%
Steelfab Offshore	0.80	1	0.80	Mar-06	38.5	65.0%	35.0%	12.5%	9.00	7.51%	9.69%
MK Agrotech Private Ltd	0.80	2	1.60	Jun-06	76.0	70.0%	30.0%	10.5%	7.00	10.45%	12.56%
Srinivas Sirigeri	0.80	1	0.80	Mar-06	36.3	0.0%	100.0%	0.0%	-	9.80%	11.08%
R.K.Marbles	0.80	1	0.80	Mar-06	37.8	0.0%	100.0%	0.0%	-	9.13%	10.37%
Dempo Industries	0.80	1	0.80	Mar-06	37.3	0.0%	100.0%	0.0%	-	9.34%	10.59%
Desai Brothers	0.80	1	0.80	Mar-06	38.0	0.0%	100.0%	0.0%	-	9.05%	10.28%
Dewanchand Ramsaran	0.80	1	0.80	Mar-06	37.0	70.0%	30.0%	8.5%	5.00	10.94%	12.94%
Abhilash Garments & Estates (P) Ltd	0.80	1	0.80	Dec-06	38.0	0.0%	100.0%	0.0%	-	9.31%	10.62%
Prasad Global Solutions	0.80	2	1.60	Dec-06	76.6	0.0%	100.0%	0.0%	-	9.18%	10.48%
Gangadhar Narsingdas Agarwal	0.80	5	4.00	Dec-06	195.0	70.0%	30.0%	10.5%	8.00	8.99%	11.37%
Siddaganga Oil Extractions Ltd.	0.80	2	1.60	Dec-06	78.0	58.0%	42.0%	10.8%	5.00	9.00%	10.78%
<b>Total</b>			<b>30.40</b>								