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Document reference number and title: (Recommendation from the MEP to SBM020)

A6.4 MEP012-A03: Draft mechanism methodology: Electricity generation from renewable sources connected to electricity systems (version 01.0)

Item	Section no. (as indicated in the document)	Paragraph/Table/Figure no. (as indicated in the document)	Comment (including justification for change)	Proposed change (including proposed text)

1	DEMONSTRATION OF ADDITIONALITY	33(g)(ii)(d)	The draft methodology defines similar activities for solar PV plants as "all other solar PV power plants" and uses installed capacity in MW as the sole indicator of common practice. This approach fails to distinguish between solar PV projects and solar PV projects paired with battery energy storage systems (BESS), despite material differences in cost, risk profile, technical complexity, and grid function. According to IRENA's Renewable Power Generation Costs in 2024 report, the global weighted average total installed cost of utility-scale solar PV was USD 691/kW, rising to USD 1,093/kW in Africa. BESS costs stood at USD 192/kWh. For a 100 MW project using African cost benchmarks, adding 30 minutes of storage (for grid stability) increases project cost by roughly 9%, while 4 hours of storage (required for meaningful load shifting) increases cost by approximately 70%. These are differences have substantive impact on the financial viability of a project. Critically, the value proposition of storage varies by duration. Short-duration BESS (under 1 hour) serves primarily as a power quality and ramp-rate smoothing tool. Medium-duration BESS (2 to 4 hours) enables peak shaving and time-of-day energy shifting. Long-duration BESS (4+ hours) provides firm capacity and can displace fossil-fueled peaking generation. Each configuration serves a different grid function, carries a different cost structure, and faces different revenue conditions. In most emerging economy electricity markets, there is no dynamic pricing, no capacity market, and no ancillary services framework. Developers who add BESS absorb significantly higher capital costs while earning the same flat tariff per kWh. This financial barrier is exactly what common practice analysis should capture, and it becomes invisible when solar+BESS is grouped with solar-only. There is already international precedent for this distinction. Chile's 2025 Article 6 roadmap (Hoja de Ruta de Instrumentos de Precio y Mercados de Carbono, Table 7) establishes a sliding scale for energy storage projects based on storage duration, differentiating standalone BESS from hybrid configurations and scaling ITMO eligibility from 0% (under 3 hours) to 100% (7+ hours). Japan's Joint	Revise the definition of similar activities to differentiate solar PV projects by the presence of co-located battery energy storage. "For solar PV plants: (a) solar PV without co-located energy storage; (b) solar PV with co-located energy storage."

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			Crediting Mechanism categorizes "Solar Power Plant" and "Solar Power Plant with Battery" as separate technology types in its Annex 2 classification, using the count of projects per category per country to determine financial support levels. Both frameworks recognize that the addition of storage creates a fundamentally different project type for purposes of assessing technology diffusion and financial viability. Treating solar+BESS as equivalent to solar-only in the common practice analysis risks understating barriers to projects that deliver higher grid value, particularly in markets where storage is most needed and least commercially viable without carbon finance.	
2	DEMONSTRATION OF ADDITIONALITY	33(b)	See my previous comment for justification on distinguishing between Solar PV and Solar PV+BESS with varying levels of storage.	Revise the the common practice indicator to differentiate solar PV projects by the presence and duration of co-located battery energy storage. "Indicator of common practice: (i) the installed power generation capacity, expressed in MW; and (ii) for category (b), the installed energy storage capacity, expressed in MWh.

3	DEMONSTRATION OF ADDITIONALITY	33(c)	The methodology requires a time-bound common practice analysis using a reference period of the most recent 3 to 5 years. This approach assumes that market and investment conditions remain sufficiently stable across the reference period such that historical deployment rates are meaningful indicators of current project viability. That assumption is often wrong, particularly in emerging economies. A project that was financially viable three or five years ago may not be viable today due to changes that have nothing to do with the technology itself. Host country interest rates may have risen sharply. Sovereign credit downgrades or political instability may have increased the risk premium demanded by equity investors. Trade policy changes or global supply chain disruptions may have raised equipment costs. Host country regulators may have renegotiated or reduced PPA tariff rates. Any one of these changes can fundamentally alter project economics. As a threshold matter, if a project proponent has demonstrated financial additionality under the investment analysis, the common practice analysis should not be capable of overriding that finding. A project that is demonstrably not financially viable without carbon revenue is additional regardless of how many similar projects were deployed under different market conditions in prior years. Common practice analysis serves as a cross-check, not a veto, and should be treated accordingly. If the Supervisory Body retains common practice as a standalone gate, the methodology should allow project proponents to adjust the reference period when material changes in investment conditions have occurred. Specifically, if one or more key investment condition indicators have undergone a material change during the reference period, the proponent should be permitted to shorten the reference period to begin from the point at which the change occurred. Relevant indicators fall into three categories: Financing cost, as reflected in host country sovereign bond yields or equivalent benchmark rates, capturing changes in interest rates, country risk perception, and investor return expectations. Project cost, as reflected in host country inflation rates or changes in import duties on key equipment, capturing	Add the following provision to the time-bound common practice approach: "Where the project proponent can demonstrate that a material change in investment conditions has occurred during the reference period, the proponent may propose a shortened reference period beginning from the point at which the material change occurred. Material changes in investment conditions may include, but are not limited to: (a) changes in host country financing costs, as reflected in sovereign bond yields or equivalent benchmark lending rates; (b) changes in project input costs, as reflected in host country inflation rates or import tariff rates on key project equipment; (c) changes in project revenue conditions, as reflected in published power purchase agreement rates, feed-in tariff schedules, or competitive auction clearing prices applicable in the host country. The determination of materiality shall be justified by the project proponent and assessed by the designated operational entity during validation."

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			changes in capital and operating expenditure. Project revenue, as reflected in published PPA rates, feed-in tariffs, or auction clearing prices in the host country, capturing changes in the revenue available to project developers. This approach does not increase the reporting burden for developers whose projects pass common practice under the standard reference period. It simply provides an evidence-based mechanism for developers to demonstrate that historical deployment data is not representative of current investment conditions when that is the case.	