



Republic of the Philippines
National Electrification Administration

October 7, 2005

NEA MEMORANDUM No. 2005-030

T O : **ALL ELECTRIC COOPERATIVES**

SUBJECT : PROCUREMENT GUIDELINES FOR ELECTRIC COOPERATIVES

It has been observed that controversies arising from procurement were experienced by the electric cooperatives (ECs) resulting to conflicts between and among the Board of Directors, management, employees and even the consumers. This situation could have been avoided if the procurement policies of the ECs have been strictly followed in the bidding process. Much as we want to give the ECs a free hand in conducting their bidding, we could not help but comment that the absence of public bidding after the advertisement of the invitation to bid for the proposed project in newspapers of general circulation and the absence of complete bidding documents and specifications of the equipment and materials to be procured as well as the estimated budget cost for the project, are the reasons for the increasing number of bidding results conducted by the ECs that failed to merit NEA's approval.

Please be reminded also of Section 43 (f)(v) of the EPIRA which states that "Any significant operating costs or project investments of the TRANSCO and distribution utilities which shall become part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest.". Hence, we believe that it is very important for the ECs to procure the materials and equipment for their projects at the right price and quality in order to maintain low power rates to enable them to compete with other industry players in the deregulated market.

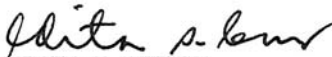
It is in this light that we are issuing the following instructions:

1. NEA has issued, and herein attached as Annex I, the pro-forma bid documents to be used as guide by the ECs in the bidding of their equipment/materials procurement. Prior to advertisement, the complete bidding documents and specifications shall be prepared for issuance to all interested bidders. For the substation equipment and accessories, a template of equipment specifications is likewise issued to guide the ECs in their procurement, attached as Annex II.
2. The cost of the bidding documents to be charged by the ECs shall not be more than P10,000.00 which is deemed sufficient to recover expenses incurred in the publication of the Invitation to Bid in newspapers of general circulation and the reproduction of the bidding documents.
3. Bidding for the procurement of materials and equipment (not only the substation equipment and accessories) costing more than P500,000.00 shall be advertised in newspapers of general circulation for at least two (2) times

- within a period of one (1) week to ensure wider participation from eligible bidders, and where an EC has a website, the same shall also be posted.
4. Invitation to Bid for projects below P500,000.00 shall be posted in strategic places within the EC Headquarters and/or sent to accredited suppliers/manufacturers. Sealed canvass from at least three (3) accredited suppliers/manufacturers may be employed by the ECs for the procurement of fast moving items and emergency purchases
 5. The approved budget cost (ABC) for the project to serve as the ceiling cost for award of contract shall be based on the approved ICPM/annual work plan or supplemental budget for the particular item for bid and should be indicated in the invitation to bid. Bids higher than the ABC should automatically be rejected.
 6. A two (2) stage bidding process shall be observed; first to check the bidder's eligibility to bid based on the documents required and submitted by the bidders (technical evaluation) and then the financial proposal of bidders found eligible to bid. The technical and financial proposals shall be sealed in separate envelopes properly marked in order to avoid premature opening of required envelope. The financial proposals of non-eligible bidders will be returned unopened. A checklist of the technical and financial requirements and the bidders compliance thereto shall be prepared plus an abstract of bids and minutes of bid opening duly signed by the Bids and Awards Committee (BAC) and all observers/witnesses. The BAC shall be constituted by the General Manager to be composed of the Department Managers plus the Internal Auditor and representative from the rank and file to act as observers.
 7. The recommendation of award shall be made by the BAC and sent to the General Manager who will in turn endorse it to the Board of Directors for appropriate action.
 8. The Board Resolution confirming the results of the bidding together with all supporting documents (per attached checklist) necessary to evaluate the proceedings of the bidding shall be submitted to NEA for approval.

It is always wise to observe due diligence in the conduct of bidding and adhere to the principles of transparency, accountability, equity, efficiency, and economy in the procurement process in order to erase any doubt in the award of contracts and prevent any delay in the implementation of the proposed projects brought about by questionable procurement procedures employed by the ECs. It is also suggested that you review your own procurement policy as it may no longer be responsive to the present environment.

For your strict compliance.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN PERFORMING FILE: SITE: #OR007484



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10/14/02

**CHECKLIST OF SUPPORTING DOCUMENTS TO
BE SUBMITTED TO NEA RE:
AWARD OF PROCUREMENT CONTRACT**

1. Copies of Invitation to Bid as published in the newspaper of general circulation.
2. Minutes of Pre-Bid Conference with signatures of all BAC members together with the attendance sheet showing the names and signatures of all prospective bidders attending.
3. Minutes of bid opening and Abstract of Bids signed by all BAC members and attendance sheet showing the names and signatures of all participating bidders.
4. Technical and Financial Evaluation Reports prepared by the BAC showing the comparison between the technical specifications required by the EC against the proposal of the bidders.
5. Recommendation of Award prepared by the BAC.
6. The GM's endorsement letter regarding the recommendation of award of the contract.
7. Board Resolution confirming the award of the contract.

A handwritten signature in black ink, consisting of a stylized, cursive name, located in the bottom right corner of the page.