

**TERMS OF REFERENCE (TOR)
for the Conduct of Competitive Selection Process (CSP)
by Marinduque Electric Cooperative, Inc. (MARELCO)
for its New Power Provider (NPP)**

1. Introduction

MARELCO is conducting Competitive Selection Process for a New Power Provider (NPP) with an aggregate dependable capacity of 16 MW to supply the power requirements of Marinduque, to include base load, peaking and reserve requirements.

This TOR is issued in compliance with Section 8.4.1 of the "Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market" issued under DOE Circular No. DC2018-02-0003, and Section 2 of ERC Resolution No. 13, Series of 2015, "A Resolution Directing all Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply to the Captive Market".

2. Supply Contract and Cooperation Period

2.1. MARELCO will sign a Power Supply Agreement (PSA) with the winning NPP, whose Commercial Operation Date (COD) shall be nine (9) calendar months after the Effective Date or on September 1, 2022 whichever comes first, as provided for in the Power Supply Agreement between the winning NPP and MARELCO. The PSA shall be valid for fifteen (15) years, or until December 2036.

2.2. Upon PSA signing, the winning NPP shall submit to MARELCO a Timeline of Activities clearly providing all works necessary to be able to perform its obligations as generator in place of NPC-SPUG.

2.3. MARELCO, NPC-SPUG, and the winning NPP will altogether sign a PIPO Agreement so NPC-SPUG can gradually redeploy its resources to other missionary areas as the winning NPP assumes the generation function fully displacing NPC-SPUG. Said PIPO Agreement shall indicate the responsibilities of the parties, as well as the schedules of entry and exit of generating capacities for the winning NPP and NPC-SPUG, respectively, and the locations thereof.

3. Basic Terms

3.1. Plants and Capacities

3.1.1. The winning NPP shall construct and operate one (1) power plant in each of three (3) locations deemed suitable by MARELCO, acquired or leased, without

prejudice to purchasing or leasing the facilities owned by MARELCO and NPC-SPUG composed of 2MW brand new gensets with the following suggested Dependable Capacity:

3.1.1.1. Between Boac and Mogpog: 8 MW

3.1.1.2. Between Gasan and Buenavista: 4 MW

3.1.1.3. Between Sta. Cruz and Torrijos: 4 MW

3.1.2. The winning NPP's power plants shall have a Dependable Capacity of 16MW to deliver the Base load, peaking and reserve requirements of Marinduque. It shall be completed and ready for operation on Commercial Operation Date, and shall be composed of brand-new generating units with Dependable Capacity of 2 MW each:

3.1.2.1. Between Boac and Mogpog: eight (8) MW, with three (3) units rated 900 RPM or lower

3.1.2.2. Between Gasan and Buenavista: four (4) MW, with one (1) unit rated 900 RPM or lower

3.1.2.3. Between Sta. Cruz and Torrijos: four (4) MW, with one (1) unit rated 900 RPM or lower

3.1.3. In addition to the generating units specified in 3.1.2, by COD, the winning NPP shall have sufficient aggregate RE generating capacity to provide at least one percent (1%) of MARELCO's annual energy requirements therefrom.

3.1.4. The winning NPP's power plants shall employ only newly-manufactured or brand-new equipment and generating units procured from reputable manufacturers. During the bidding, the Bidder must state the Name of the Power Plant from which supply will be sourced, the minimum stable loading (or P-min) of the power plant (in MW) and the capacity of the power plant (in MW).

3.1.5. The Power Station shall have a rated voltage of 13.2 KV and capable of being synchronized with the grid. Must be capable of load sharing. Can operate at 0.9 PF leading and .85 PF lagging. It shall have a black start capability.

3.1.6. Every two (2) years from COD or as needed, MARELCO will procure additional capacity to maintain security of supply through CSP.

3.1.7. The delivery and metering point shall be at the connection point to either 13.2-kV or 69-kV distribution lines.

3.1.8. The winning NPP shall provide access to and allow inspection of plant equipment by MARELCO as needed. Likewise, the winning NPP shall provide access to DOE, NEA and ERC personnel in the discharge of oversight and regulatory functions.

3.2. Incidental Expenditures

3.2.1. The cost of the Point-to-Point connection to MARELCO's distribution system from either 13.2 KV or 69 KV lines shall be borne by the winning NPP.

3.2.2. The winning NPP shall emplace SCADA for its plants with the view of linking with MARELCO's SCADA once it is in place. The winning NPP shall also install kWh meters and data loggers at all generating unit terminals and at all connection points, and submit data as required by MARELCO for its data analytics system.

3.2.3. The winning NPP shall install fuel flow meters (or equivalent thereof) for all generating units and submit data as required by MARELCO for its data analytics system.

3.2.4. At its own cost, by COD, the winning NPP shall purchase ETAP power simulation software capable of analyzing 100 buses and conducting load flow, short circuit, and protective device coordination studies, and provide assistance to MARELCO in its conduct of power system analysis as may be needed.

3.2.5. The winning NPP shall shoulder the cost of DIS.

3.3. Guaranteed Service

3.3.1. The winning NPP shall provide 24-hour service to MARELCO.

3.3.2. The NPP has the obligation to supply the requirements of MARELCO on the period under the PSA, such that all unserved energy that are not due to Force Majeure events, distribution-side outages, or justifiable fuel supply shortages shall be subject to a penalty 5.6404 P/kWh. The total amount shall be used to offset from MARELCO billings.

3.3.3 The winning NPP must have a reserve power. In case of prolonged outages that are not due to force majeure, NPP may provide rental gensets as replacement power to avoid penalties.

3.3.4. Upon PSA signing, one (1) year of material non-performance based on the submitted Timeline of Activities that is not due to Force Majeure events shall be sufficient grounds for unilateral termination of the PSA by MARELCO.

Further, if upon COD, the winning NPP fails to deliver the requirements under the PSA, it shall be a ground for termination of the agreement. In this case, MARELCO shall request NPC for extension or renewal of agreement.

3.3.5. Once adequate, reliable, and resilient supply of electricity in Mainland Marinduque is achieved, MARELCO will conduct further rounds of CSP prioritizing Renewable Energy developers.

3.4. Fuel Requirements

3.4.1. Prior to PSA signing, the winning NPP shall conduct its own CSP for fuel, secure a long-term fuel supply contract, and provide a copy thereof to MARELCO.

3.4.2. The winning NPP shall ensure that fuel in stock is always good for at least forty-five (45) days. Fuel supply shortage is justifiable only if caused by Force Majeure events.

3.4.3. The winning NPP shall allow inspection of fuel stores by MARELCO as needed.

3.5 Force Majeure

3.5.1 Force majeure are events beyond the control of both parties. Parties shall notify and give details on the Force Majeure events to be excused. Period for remedy shall be defined during the finalization of the PSA. However, prolonged Force Majeure for more than 180 days may lead to termination of the agreement.

3.5.2 Fuel supply shortage is justifiable only if caused by Force Majeure events.

3.5.3 Marelco and the NPP shall jointly establish plans for operating the power plant during Force Majeure. Such plan shall include recovery from local or widespread electrical black out. The NPP shall comply with the Emergency Procedures and provide contingency plan if a Force majeure occurs.

3.7. Payment

3.7.1. Full payment made by the 10th day of the calendar month following the Billing Period shall entitle MARELCO to a PPD of three percent (3%), provided that MARELCO has no overdue payables. Bids shall take this requirement into account. In no case shall the submitted or approved rates be increased to accommodate PPD.

3.7.2. All payments shall be in Philippine Pesos (PhP).

3.8. Unbundled Tariff Components

3.8.1. The proposed NPP True Cost Generation Rate must be below the NPC's current TCGR, broken down into unbundled tariff components, as follows:

Component	Unit
CRF	P/kWh
FOM	P/kWh
VOM	P/kWh

$FR = L_{\text{fuel}} \div \text{kWh}_{\text{net}}$	L/kWh
$LOR = L_{\text{lube}} \div \text{kWh}_{\text{net}}$	L/kWh

3.8.2. Each of the unbundled tariff components shall be accompanied by a derivation, computation, or simulated value for every year of the PSA as applicable.

3.8.3. CRF shall be fixed throughout the life of the PSA and shall not be subject to indexation. The Incidental Expenditures may be recovered through CRF as long as the approved rate is observed.

3.8.4. FOM and VOM shall be adjusted according to monthly Philippine CPI as indicated in the website of the National Statistics Coordination Board (www.nscb.gov.ph) using the value at the time of PSA signing as base.

4. Pre-qualification and Selection

4.1. Prospective NPPs shall have a generation portfolio of at least 10 MW for the last five (5) years to pre-qualify.

Matrix of the Bidder's generation portfolio must be supported by copies of its COCs issued by ERC as well as copies of its GCIS and GCMR submissions to ERC for the last five (5) years. Said matrix shall state the following for each power plant; Name, Installed and Dependable Capacity in KW, Type of Power Plant according to fuel or energy resource, Location and Year completed and commissioned.

4.2. Prospective NPPs shall have a Net Worth in the amount of at least Four Hundred Million Pesos (PhP400,000,000.00) as proven by Audited Financial Statements for the last two (2) years to pre-qualify.

4.3 Corporation, Joint Venture and Partnership with International Company can join provided they comply with all the requirements. (ie. 3 years of establishment)

4.4. The pre-qualified bidder with the lowest CRF + Base FOM + Base VOM + FF + LOF shall be declared the winning NPP.

4.5. During evaluation, FF shall be calculated as FR multiplied by the assumed price for fuel of 45 P/L.

4.6. During evaluation, LOF shall be calculated as LOR multiplied by the assumed price for lube of 200 P/L.

5. Other Terms and Conditions

5.1. Other terms and conditions including assignability, events of default, dispute resolution, change in law and other pertinent provisions shall be defined during the finalization of the PSA.

5.2 Removal of Subsidy from UCME: In the event that the Marinduque Island Grid is interconnected to the Luzon Grid or Visayas Grid and the Subsidy from UCME is removed, the Parties shall negotiate to optimize the Contracted Capacity in the Electricity Market including WESM, Bilateral Contracting with other Distribution Utilities and provision of Ancillary Service.

6. List of Acronyms

COC	Certificate of Compliance
COD	Commercial Operations Date
CSP	Competitive Selection Process
CRF	Capital Recovery Fee
CPI	Consumer Price Index
DIS	Distribution Impact Study
ERC	Energy Regulatory Commission
FOM	Fixed O&M Fee
FF	Fuel Fee
FR	Fuel Rate
GCIS	Generation Company Information Sheet
GCMR	Generation Company Management Report
LOF	Lube Oil Fee
LOR	Lube Oil Rate
MARELCO	Marinduque Electric Cooperative, Inc.
NPC-SPUG	National Power Corporation – Small Power Utilities Group
NPP	New Power Provider
PIPO	Phase-in, Phase-out
PPD	Prompt Payment Discount
PSA	Power Supply Agreement
RE	Renewable Energy
SCADA	Supervisory Control and Data Acquisition
TOR	Terms of Reference
VOM	Variable O&M Fee

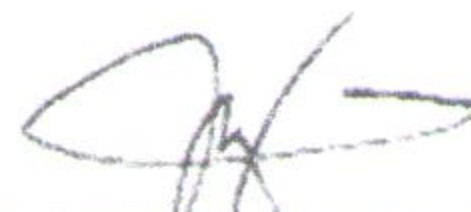
Submitted by:

THIRD PARTY BIDS AND AWARDS COMMITTEE


CARMENCITA B. GAAN
Chairman


ENGR. MICHEL L. VASQUEZ
Member


ENGR. ADRIAN LOZANO
Member


ENGR. RENATO L. ESGUERRA
Vice-Chairman


ATTY. ALFREDO L. DE LUNA
Member

MARINDUQUE ELECTRIC COOPERATIVE, INC
(M A R E L C O)
Boac, Marinduque

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT	JUSTIFICATION	
Type of Contract	Full Load Requirement	Single Contract for Base load, peaking and reserve requirement, for all power plant locations		
Contracted Capacity (MW)	16 MW dependable capability	The winning NPP shall operate one Power Plant for each location composed of 2MW brand new gensets, with the following suggested dependable capability: Between Boac and Mogpog - 8 MW Between Gasan & Buenavista - 4 MW Between Sta Cruz & Torrijos - 4 MW	This is based on the forecasted demand of Marinduque Grid simulated for 20 years	
			Although there is a NPC's 69 KV Lines which is under construction, the power plants shall be installed in three locations to ensure reliability	
Contracted Energy (Kwh per month or year)		The contracted energy shall be based on the forecasted energy from 2022 to 2036 (15 years)		
Dependable Capacity (MW)	16 MW			
Contract Duration	The PSA shall take effect for a period of 15 years, unless earlier terminated in accordance with the provisions of the PSA.		Based on simulation, 15 years contract period has the least cost	
Commercial Operation Date	Nine (9) months after the effective date or on September 1, 2022 whichever comes first	This is to harmonize with the expiration of MARELCO's PSA with NPC on August 31, 2022.	Nine (9) months shall mean the Construction Phase	
Schedule of Delivery <i>(kWh per month or year)</i> <i>*Note: Only if necessary</i>			delivery shall be based on the forecasted energy	
Tariff Structure	Component	The Tariff must be below NPC's current TCGR	This is for the protection of the consumers	
	CRF			P/kwh
	FOM			P/kwh
	VOM			P/kwh
	$FR = L_{fuel} + kWh_{net}$			L/kwh
	$LOR = L_{lube} + kWh_{net}$			L/kwh

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT	JUSTIFICATION
	Each of the unbundled tariff components shall be accompanied by a derivation, computation, or simulated value for every year of the PSA as applicable		
	CRF shall be fixed throughout the life of the PSA and shall not be subject to indexation. The Incidental Expenditures may be recovered through CRF as long as the approved rate is observed		
	FOM and VOM shall be adjusted according to monthly Philippine CPI as indicated in the website of the National Statistics Coordination Board (www.nscb.gov.ph) using the value at the time of PSA signing as base.		
Outage Allowance per plant		The NPP shall be subject to a penalty of 5.6404 P/kWh for outages that are not due to Force Majeure events, distribution-side outages, or justifiable fuel supply shortages. The total amount shall be used to offset charges to MARELCO	This is to ensure that the winning NPP is capable of providing the most efficient generating units.
		The winning NPP is expected to deliver and provide 24 hour service to MARELCO. Hence, NPP must have a reserve power. In case of prolonged outages that are not due to force majeure, NPP may provide rental gensets as replacement power to avoid penalties.	
Force Majeure	Force majeure are events beyond the control of both parties	Parties shall notify and give details on the Force Majeure events to be excused. Period for remedy shall be defined during the finalization of the PSA. However, prolonged force Majeure for more than 180 days may lead to termination	
	Upon PSA signing, one (1) year of material non-performance that is not due to Force Majeure events shall be sufficient grounds for unilateral termination of the PSA by MARELCO. Fuel supply shortage is justifiable only if caused by Force Majeure events.	<i>Material non-performance shall be based on the Timeline of Activities to be submitted by the NPP</i>	


TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT	JUSTIFICATION
		Marelco and the NPP shall jointly establish plans for operating the power plant during Force Majeure. Such plan shall include recovery from local or widespread electrical black out. The NPP shall comply with the Emergency Procedures and provide contingency plan if a Force majeure occurs.	
Replacement Power	The NPP has the obligation to supply the requirements of MARELCO on the period under the PSA, such that all unserved energy shall be subject to a penalty.	However, if upon COD, the winning NPP fails to deliver the requirements under the PSA, it shall be a ground for termination of the agreement. In this case, MARELCO shall request NPC for extension or renewal of agreement.	
Currency	Price offer should be in Philippine Peso		
Regulatory Approvals		MARELCO and the Winning Bidder shall file with the Energy Regulatory Commission (ERC) the joint application for the approval of the Power Supply Agreement in accordance with the ERC Rules.	
		The NPP shall make the necessary adjustments in accordance with the directive of the ERC. Downward adjustment in the rates shall not be a ground for the termination of the contract and the EC should not be made to shoulder the incremental difference.	
Dispatch by Utility (Off grid)		Distribution Utility shall have the right to Dispatch the Power Plant up to its Dependable Capacity following the dispatch protocol in accordance with the economic merit order	A Dispatch protocol shall be established for the purpose
Penalties	<p>The following penalties among others shall be imposed for non-adherence to provisions of the PSA:</p> <ul style="list-style-type: none"> <i>Forfeiture of Performance Bond</i> <i>Payment of Cost of foregone revenue and surcharge</i> <i>Unilateral termination of contract</i> <i>Payment of legal/litigation fees</i> <i>Power supplier shall be blacklisted</i> 	Penalties shall be clearly provided in the PSA	
Source of Power	Conventional Energy	Bunker/Diesel Fuel	

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT	JUSTIFICATION
	Renewable Energy	at least 1% of total contracted energy at COD	Once adequate, reliable, and resilient supply of electricity in Mainland Marinduque is achieved, MARELCO will conduct further rounds of CSP prioritizing Renewable Energy developers
Plant Capacity	The Power Plant should have a Dependable Capacity of 16 MW (Rated Capacity) to deliver the full requirements of Marinduque (Base load, Peaking and reserve)	The Power Plant shall be completed by COD composed of brand new generating units with 2 MW each Dependable Capability	
Technical Specifications	The power plant shall be composed of brand-new generating units procured from reputable manufacturer.	The Bidder must state the Name of the Power Plant from which supply will be sourced, the minimum stable loading (or P-min) of the power plant (in MW) and the capacity of the power plant (in MW).	
		The Power Station shall have a rated voltage of 13.2 KV and capable of being synchronized with the grid. Must be capable of load sharing. Can operate at 0.9 PF leading and .85 PF lagging. It shall have blackstart capability.	
Years of Experience	Prospective NPPs shall have a generation portfolio of at least 10 MW for the last five (5) years to pre-qualify for fossil fuel and least 3 years for RE.	Matrix of the Bidder's generation portfolio must be supported by copies of its COCs issued by ERC as well as copies of its GCIS and GCMR submissions to ERC for the last five (5) years. Said matrix shall state the following for each power plant; Name, Installed and Dependable Capacity in KW, Type of Power Plant according to fuel or energy resource, Location and Year completed and commissioned	Corporation, Joint Venture and Partnership with International Company can join provided they comply with all the requirements. (ie. 3 years of establishment)
Technical Capability/Qualification	Technical capability/qualification of technical staff and organizational structure shall be required.	Included in Eligibility Requirements	Prospective NPPs is also required to submit Certificate of Good Performance from other ECS as proof of their Technical Qualification
Take off Structure	Design of take-off structure from each power plant to distribution line with specified protection equipment shall be established by the coop.	The delivery and metering point shall be at the connection point to either 13.2-kV or 69-kV distribution lines. The cost of point connection shall be borne by the winning NPP	
Other Terms and Conditions	for off grid- demand based not energy based	Prospective NPPs shall have a Net Worth in the amount of at least Four Hundred Million Pesos (PhP400,000,000.00) as proven by audited financial statements for the last two (2) years to pre-qualify.	To guarantee the financial capability of the NPP
		Assignability: There will be no re-assignment of contract	

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT	JUSTIFICATION
		Removal of Subsidy from UCME: In the event that the Marinduque Island Grid is interconnected to the Luzon Grid or Visayas Grid and the Subsidy from UCME is removed, the Parties shall negotiate to optimize the Contracted Capacity in the Electricity Market including WESM, Bilateral Contracting with other Distribution Utilities and provision of Ancillary Service.	
		Other terms and conditions including events of default, dispute resolution, change in law and other miscellaneous provisions shall be defined during the finalization of PSA.	

Submitted by:

THIRD PARTY BIDS AND AWARDS COMMITTEE (TPBAC)


CARMENCITA B. GAAN
 Chairman

ATTY. ALFREDO L. DE LUNA
 Member


ENGR. RENATO ESGUERRA JR.
 Vice-Chairman


ENGR. ADRIAN LOZANO
 Member


ENGR. MICHEL L. VASQUEZ
 Member



MARINDUQUE ELECTRIC COOPERATIVE, INC.

BOAC • BUENAVISTA • MOGPOG • GASAN • STA. CRUZ • TORRIJOS

Ihatub, Boac Marinduque 4900 Tel. Nos. (042) 332-1043 / 332-1044 Fax No. (042) 332-1837 Hotline (042) 332-2266

Meeting No. 13 series of 2019

EXCERPTS FROM THE MINUTES OF THE 7th SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE MARINDUQUE ELECTRIC COOPERATIVE, INC. (MARELCO) HELD ON JUNE 21, 2019 AT THE MARELCO CONFERENCE ROOM, IHATUB, BOAC, MARINDUQUE.

Present:	Dir. Luis P. Paras.....	President
	Dir. Alfredo R. Nuñez	Vice President
	Dir. Linda H. Manrique	Secretary
	Dir. Florencio R. Moreno	Treasurer
	Dir. Noel B. Lontoc	Auditor
	Dir. Merly E. Ordonio	PRO
	Engr. Gaudencio M. Sol, Jr.	General Manager / Ex-Officio Member

Absent: None

RESOLUTION NO. 2019-059

A RESOLUTION APPROVING MARELCO'S TERMS OF REFERENCE FOR THE CONDUCT OF COMPETITIVE SELECTION PROCESS FOR THE NEW POWER PROVIDER OF MARINDUQUE

WHEREAS, the Third Party Bids and Awards Committee and Technical Working Group submitted to the Board for its approval the Terms of Reference for the conduct of Competitive Selection Process for the New Power Provider in compliance with Section 8.4.1 of the Department of Energy Department Circular No. DC 2018-02-0003 "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market" and Section 2 of the Energy Regulatory Commission Resolution No. 13 series of 2015 "A Resolution Directing all Distribution Utilities to a Conduct Competitive Process in the Procurement of their Supply to the Captive Market";

WHEREAS, the Board took note that the said Terms of Reference was jointly evaluated by the National Electrification Administration, the Department of Energy and the National Power Corporation wherein suggestions and/or recommendations of the aforesaid agencies were duly considered thereto;

NOW THEREFORE, on mass motion, be it;

RESOLVED as it hereby RESOLVED, to approve MARELCO's Terms of Reference for the conduct of Competitive Selection Process for the New Power Provider of Marinduque and to confirm the composition of the Third Party Bids and Awards Committee.

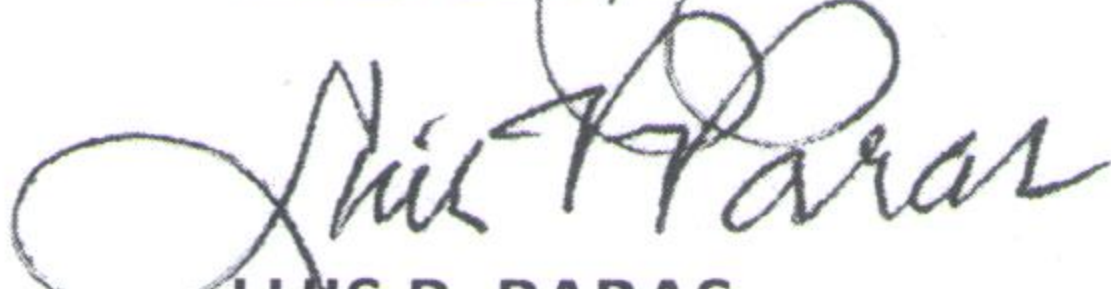
RESOLVED FINALLY, to furnish copy of this resolution the National Electrification Administration (NEA) and the Department of Energy for their information and appropriate action.

UNANIMOUSLY APPROVED

I HEREBY CERTIFY to the correctness of the foregoing resolution.


LINDA H. MANRIQUE
Secretary

Attested by:


LUIS P. PARAS
President