

NEGROS ELECTRIC COOPERATIVE ASSOCIATION

(NECA)
NEGROS ISLAND REGION

REFERENCE : Bid Bulletin No. 04
Invitation to Bid No. 01, Series of 2023

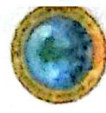
ISSUE DATE : 13 June 2023

FOR : ALL BIDDERS

SUBJECT : ISSUANCE OF ADDITIONAL ITEMS IN THE MATRIX OF
COMMENTS DURING PRE-BIDDING CONFERENCE

Please be informed that the following inquiries have been added in the Matrix of Comments during the Pre-Bidding Conference:

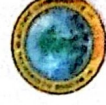
Reference Documents	Item/ Section	Provisions	Question	Answer
Terms of Reference	5.0 Cooperation Period	Cooperation period shall take effect for a period of fifteen (15) years from May 26, 2023 to May 25, 2038. If the provisional authority of the ERC is issued later than May 26, 2023, the Cooperation Period shall commence on the 26th day of the month immediately after the issuance of said provisional authority.	<p>➤ Clarifications on the Supply versus Cooperation period. We believe that the contract should be effective upon signing, but you have mentioned earlier that the Cooperation period or effectivity will come after approval. I think that we should call it as the "supply period" not "effectivity". Will 2038 move or will you have another CSP on 2038?</p>	<p>➤ "Cooperation Period" means the period of fifteen (15) years commencing on the Initial Delivery Date and ending on the fifteenth (15th) year anniversary of such commencement date.</p> <p>Please be informed that every PSA will become effective once approved by the Commission and the Delivery date will start once the PSA approved by the Commission.</p> <p>➤ For example, if the PSA filed by NONECO and the winning bidder approved by the Commission on November 15, 2023, the bidder can start the delivery of on November 26, 2023 and that will be the start of the cooperation period</p>



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Terms of Reference	7.0 Structure	Tariff	<ul style="list-style-type: none"> • Capital Recovery Fee (PhP/kWh/month) • Fixed O&M (PhP/kWh/month) • Variable Charges (PhP/kWh) • Fuel Costs (PhP/kWh) • Others 	<p>➤ On the TOR presented, the rate structure is clearly, that the CRF and FOM would be in PhP/kWh/month while Energy, VOM and Fuel is PhP/kWh. I think in the ITB it's all PhP/kWh. Please double check?</p> <p>➤ On the pricing - For existing plants, (on the 4th to the last bullet of Item 7 of the TOR) the total bid amount for the CRF and FOM shall not exceed to PhP1.50/kWh. Is the PhP1.50 will apply to both Base load and Intermediate because it would be unfair to limit a mid-merit pricing at a PhP1.50 for a 20% load factor or COF?</p> <p>➤ So the rate will be adjusted starting from the 13th month to the 24th month and whatever that's paid by the NECA will have to be justified by actual figures?</p> <p>➤ Still there's a limit of an escalation of 2.5 for local and 2.11 for foreign and 3% for FOREX?</p>	<p>and it will end also on November 25, 2028</p> <p>➤ The unit for the tariff is PhP/kWh.</p>
				<p>➤ PhP1.50 cap for the CRF and FOM for the Base Load and the Peaking.</p> <p>Based on the TOR, for baseload and peaking will still remain to PhP1.50 for the CRF and FOM.</p>	
				<p>➤ Yes, that's correct.</p>	
				<p>➤ When the TOR was conceptualized it was early last year, Although it was only earlier this year that the TOR was approved</p>	



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			<p>➤ What is the rationale and calculation basis behind the annual price escalation cap of 2.5%, 2.11% and 3.00% for local, foreign and FX, respectively?</p> <p>➤ Those levels might be true 5-10 years ago but not necessarily the recent levels. Please consider setting cap based on current levels as supply and its corresponding costs are of current levels.</p>	<p>both by NEA and the DOE, but in forecasting method for a long term data, you cannot use abnormal data especially data which is affected by the recent war of Russia and Ukraine that give an erratic data. We use the normal in providing the escalation limit.</p> <p>➤ The limitation factors used in the escalation as indicated was based on the historical data.</p> <p>➤ NECA acknowledges that the price escalation cap is based on historical data, which may not necessarily reflect the current levels of supply and costs. However, it is essential to consider the broader economic context and rely on reliable projections for future inflation. In this regard, the BSP's latest Monetary Policy Report, published in May 2023, provides valuable insights.</p> <p>According to the report, the BSP projects that the average inflation rate for 2024 could settle near the midpoint of the target range of 2.0% to 4.0%. The BSP attributes this projected deceleration in inflation to the likely decline in global oil and non-oil</p>
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				<p>prices. While NECA's projections are derived from historical figures, they have been meticulously prepared in accordance with economic theory and aligned with the BSP's inflation target range.</p> <p>Furthermore, NECA has taken additional precautions to ensure the accuracy and reliability of the forecasted values. Outliers, such as extreme events that have temporary and non-representative impacts on inflation, have been excluded from the analysis. This approach safeguards against significant deviations or fluctuations in inflation rate calculations that could potentially distort the accuracy and reliability of the projections.</p> <p>Considering these robust projections and the anticipated deceleration in inflation as indicated by the BSP, NECA maintains its position that the current price escalation cap, although based on historical data, is well within a reasonable range. This cap not only aligns with economic theory but also serves as a prudent measure to protect all parties involved from potential future uncertainties.</p>
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Terms of Reference	10.0 Replacement Power	<p>The Supplier shall be responsible for providing replacement power in the following cases, except for Force Majeure Events:</p> <p>a) During any delay of the Start of Delivery of Supply; and</p> <p>b) When its power plant is on scheduled or unscheduled outage to ensure continuity of supply in compliance with the cooperation period.</p> <p>The cost of the replacement power should either be the actual price of the replacement power or the prevailing WESM Rate but shall in no case exceed the ERC-approved tariff rate.</p> <p>Replacement power shall be the obligation of the Supplier. In the event of failure by the Supplier to provide the replacement power, NECA members shall be allowed to source the replacement power at the Supplier's expense. Replacement power shall not exceed four (4) years if the plant is not available from the date of deliver, otherwise, the same shall be a ground for termination of the Contract.</p>	<p>➤ About those four years of replacement power, shall not exceed of four years if the plant is not available is this cumulative? That after four years there is the right to terminate? What is the rationale?</p> <p>➤ For any reasons whether any problem in the delivery or cannot supply, there is just this four years period?</p> <p>➤ What if for other reason it is commercially available but for other reasons it cannot supply? Can it supply from another plant? As mentioned earlier, that there's a nominated plant for purposes of line rental but as far supply as far contract capacity it can come from portfolio of plants. Let us say by supply date the plant cannot supply and it will replace if from another plant; guaranteed supply and that I think will be considered as a replacement power. Is that the only penalty or repercussion if the supply doesn't</p>	<p>➤ Based on the TOR, the four (4) years power replacement is applicable only for new plants and not for the existing power plants. Plants that are not yet available during the start of the delivery period.</p> <p>➤ We would like to emphasize that, four (4) years power replacement is applicable only for non-existing plants.</p> <p>➤ For existing plants, the bidder must make its plant available during the delivery period. You cannot use the four (4) years power replacement. If the nominated existing plant cannot supply on the date of Delivery, it is cover on the Terms if Reference, Item No. 25.0, Termination of Contract.</p> <p>The Buyer/Off-taker may terminate the Agreement by written notice to the Supplier in cases of:</p> <ul style="list-style-type: none"> • Events of default; • Non-occurrence of Commercial Operation Date after the four (4) years replacement power, in case of new plants; • Expiration of cooperation period and/or Upon
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		<p>come from their plant? The consideration is replacement power such that the payment would be at the lower of whatever price as what we have talked earlier. Or are there any other existing repercussions if it cannot supply from the nominated plant?</p> <p>➤ On the outage allowance - Normally the supplier is excused to supply because it's an allowance. Here we're talking about outage of the plant but still is required to supply. There was a mentioned schedule here delay of the return of service predetermined timeline by the EC. What is that "predetermined timeline by the EC"? How will we determine the "predetermined timeline by the EC" as far as the schedule outage is concerned?</p> <p>➤ Why is there penalty clause? What is this penalty</p>	<p>Mutual Agreement; Non-fulfillment of conditions for an effective date; Events of Force Majeure; and When the Supplier fails to supply for a period of sixty (60) days for a reason wholly attributable to its fault and/or negligence, provided that the Supplier fails to take reasonable actions or remedies to solve its inability to deliver capacity and energy.</p> <p>➤ The "Pre-determined Timeline by the EC" is the 480 hours/year for Scheduled outage and the 240 hours/year for the Unscheduled Outage.</p> <p>➤ If within the outage allowances and there was a replacement</p>
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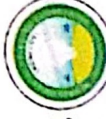
			<p>clause? Is this monetary penalty?</p> <p>Not provided or go beyond let's say for example that the unscheduled is 240 hours in a year, it became 250, are you saying that 10 hours have penalty or how will this penalty apply?</p>	<p>power, there is no penalty. There is a penalty only if:</p> <ul style="list-style-type: none"> • If the replacement power is not provided; • If it's still within the outage allowances but there was no replacement power; and • If the outage is beyond the EC pre-determined timeline or allowance.
<p>Terms of Reference</p>	<p>18.0 Eligibility Requirements</p>	<p>Bidder must show proof of its good track record by providing the following:</p> <ol style="list-style-type: none"> 1. Company Profile 2. List of Company's major customers for the last five (5) years. 3. Certificate of Good Performance from its existing and previous major customers. <p>The bidders are to submit detailed plan on how it intends to operate and maintain the generating facilities (existing and proposed new) in accordance with the Philippine Grid and Distribution Codes, existing industry standards and applicable Philippine laws. The detailed plan must state how the bidder shall operate and maintain the generating facilities as well as the experience and technical capability of the persons, whether natural or judicial, who will operate and maintain the</p>	<p>Following to the question of allowing the plants that haven't been constructed yet, as we have gone through the bidding documents in the eligibility requirements it have been mostly focused on the plants that have been on-going so how will it be for those who haven't been constructed yet? Will the TPBAC address these requirements? Will there be modifications to welcome the new players?</p>	<p>➤ For new plants, aside from TOR item 18.0 Eligibility Requirements, please provide the following: (Annex A)</p> <ul style="list-style-type: none"> • Availability of the Land (For lease or procured); • Certificate of Compliance form the ERC; • The company must be on the lists on Certificate of Endorsement of DOE to the ERC; • Certificate of Registration from SEC; • DENR (ECC, SLUP, FLAG, Foreshore Lease Agreement, etc.); • NGCP (System Impact Study, Facility Study); • LGU (Permits, Clearances); and • Gantt Chart for the construction of the plant; <p>✓ For Geothermal: Maximum of 5 years</p>



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		<p>generating facilities. The detailed plan must contain the following:</p> <ol style="list-style-type: none"> Executive Summary Description of the plan for the operation and maintenance of generating facilities Proposed table of organization including job descriptions, technical qualifications and experience of the management and technical team Environmental and social obligations compliance programs and its affiliates may satisfy the required qualifications under this Terms of Reference (TOR). 		<p>✓ For Solar: Maximum of 3 years ✓ For Wind: Maximum of 2 years ✓ For Hydro: Maximum of 2years ✓ For Ocean: Maximum of 3 years</p>
<p>Instruction to Bidders</p>	<p>C.8.2. Bidder's Eligibility, Responsibilities and Disqualification</p>	<p>8.2. The Bidder must have a power plant connected to the Luzon-Visayas Grid which has an available and dependable capacity no lesser than the requirement of NECA. The full contracted capacity required by NECA must be sourced from the said power plant.</p>	<p>➤ There's a mention of availability of capacity especially for the Luzon, Visayas connected grids. Does it mean, Mindanao is excluded because it was not mentioned?</p>	<p>➤ For now, Yes. Although we know there was a plan for inter connection there's still no final assurance from NGCP that the Visayas and Mindanao connection will be commercially available for transfer of power between Visayas and Mindanao.</p> <p>However, NECA will accept offer from the power plants in Mindanao PROVIDED that Bidder can provide NECA a certification from NGCP Certification that the Interconnection will be available by September 2023. This will be added in the Eligibility Requirements.</p>



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For further inquiries, please refer to:

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Thank you very much.



ENGR. ROEL F. SALGADO
JTPBAC Chairman

