OCCIDENTAL MINDORO ELECTRIC COOPERATIVE, INC.
San Jose, Occidental Mindoro

BID BULLETIN NO. 15

This Bid Bulletin No. 15 dated 16 December 2019 is being issued to respond to request for clarifications and to confirm key issues addressed, to wit:

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	In relation to the Bid submission for the 2019 Competitive Selection Process for New Power Providers of OMECO, SPC Power Corporation hereby submits additional queries and requests for clarifications on the ITB and the PSA as outlined below: Bid Bulletin 12, Annex A of Draft PSA: The bidder intends to develop and install a solar power plant based on RPT requirements and additional fuel cost savings. This renewable capacity will not be contracted under the 39MW requirement of OMECO since solar is a variable resource and cannot deliver 24/7 supply. Given the formula for Monthly Capacity Fee for Renewable Energy of New Generating Capacity (item 14) and Monthly Fixed O&M Fee for Renewable Energy of New Generating Capacity (item 17), this would mean that the solar capacity fee will not be paid since there will be no contracted capacity. Suggest to change the term "Contracted Capacity" to "Installed Capacity".	 If the renewable energy is only intends to RPS compliance, the proposed rate shall be embedded to Conventional Power Plant rates.
	ITB Annex C: During the pre-bid conference, it was made clear that all bidders are to use the fuel prices indicated in the index on Annex C of the ITB for the purpose of fuel cost computation. The bidder intends to develop and install an LNG power plant	The actual cost will be applied during the project implementation including the actual handling and delivery cost.

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	for its New Generating Capacity. Is the bidder supposed to use the $12.01/MMBtu price given by the index as its fuel cost? What if the actual LNG cost plus handling and delivery cost (landed cost) differs significantly from this cost? Will OMECO reimburse the power supplier with the actual landed cost still?	
	Can OMECO please provide a framework for the Risk Mitigation Agreement, even with regard to the interconnection of Mindoro to the Luzon grid that may cause removal of UCME? On a separate note, we fully intend to supply interim power to the 69kV line for Magbay and Tayamaan in collaboration with NPC, in accordance to their facility limitations.	In the event of interconnection to the grid, the Parties shall enter into a risk mitigation agreement based on rules and guidelines to be issued by ERC. For purposes of bidding, the Bidder may factor in or consider this risk in its bid.
Title and Risk of Loss	OMECO to please consider including a provision that title and risk of loss over the Contracted Capacity and Associated Energy shall transfer from the Seller to OMECO at the Delivery Point.	It is the Buyer's accountability once the energy reaches the delivery point.
Bid Bulletin No. 08, Series of 2019	What is the Levelized Cost of Energy (LCOE) mentioned in Bid Bulletin 8, and	Levelized Cost of Electricity (LCOE) – also known as Levelized Energy Cost (LEC), is the net present value of the Capacity Recovery, Variable Operation and Maintenance, Fixed Operation and Maintenance and Fuel divided by the total electricity generation over its contract period per each proposed technology for Interim Demand Requirement and New Generating Capacity.
	how is it relevant to the computation of Lowest	The Bidder's computed LCOE to be reflected in Annex D shall be

<table>
<tr><th>REFERENCE</th><th>REQUEST FOR CLARIFICATIONS/ QUESTIONS/ SUGGESTIONS</th><th>TPBAC ANSWERS AND CLARIFICATIONS</th></tr>
<tr><td></td><td>Calculated Bid (LCB) in Annex E and F of Bid Bulletin 12?</td><td>used in determining the blended rate of each technology for Interim Demand Requirement and New Generating Capacity which will be used in calculating LCB.</td></tr>
<tr><td></td><td>What reference will OMECO use for bidding purposes to determine the winning bidder?</td><td>Using Annex F.</td></tr>
<tr><td></td><td>How is the LCOE computed?</td><td>Refer to the definition of LCOE.</td></tr>
<tr><td></td><td>We would like to reiterate our previous question ------ The TCGR bid for diesel power plants will certainly declare the fuel rate based on the genset's optimum loading standard. However, during actual operation the gensets can be used at low load factors due to varying loads and ancillary requirements (including spinning reserve operation), resulting into higher fuel rate than the bidded rate. Question: - How would OMECO consider the actual fuel rate that will most-likely be higher than fuel rate used on the bid? Our recommendation is to conduct annual performance test to validate the bidded fuel rate.</td><td>The bidder shall declare fuel rate at different plant load factor.

i.e:
<table>
<tr><th colspan="2">Guaranteed Ceiling</th></tr>
<tr><th>Percent Load</th><th>SFOC, liter/kWh</th></tr>
<tr><td>Below 49%</td><td>0.2799</td></tr>
<tr><td>50 – 64%</td><td>0.2695</td></tr>
<tr><td>65 – 79 %</td><td>0.2618</td></tr>
<tr><td>80 – 100%</td><td>0.2518</td></tr>
</table></td></tr>
<tr><td>Subject: Question on Computation of Blended Rate in Official Bid Form</td><td>We respectfully raise our objections to the Official Bid Form for the following reasons:

1. The computation of the blended rate is not transparent.

For purposes of the bid, the TPBAC will only consider the blended rate in determining the lowest calculated bid. The blended rate is computed by imputing a ratio to each technology, which will then be multiplied to the technology's</td><td>The RE Capacity Factor is to be included in ITB Annex J, to wit:

Solar only 15%
Solar w/ battery 25%
Hydro 60%
Wind 25%
Biomass 80%
Geothermal 92%

11.1.4 The ratio of committed energy from Conventional Plant and Renewable Energy declared in the official bid form (ITB Annex C) shall be implemented</td></tr>
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	TCGR (PHP/kWH). Notably, the imputed ratio per technology is not declared in the Official Bid Form. Nothing will prevent an unscrupulous bidder to assume an unrealistic mix of technology just to dive down its blended rate. Moreover, at first glance, none of the participating bidders, can question how the blended rate is computed during the opening of bids, which makes the bidding vulnerable to manipulation. 2. The blended rate will not be consistent with the actual rate charged to the consumers and may not be the lowest rate. The approved rates by the Energy Regulatory Commission ("ERC") as declared in the Power Supply Agreement ("PSA"), will not be the blended rate but the specific rates per technology. Thus, the winning bidder will not be bound by the ratios it assumed to arrive at the blended rate in the bid proposal. It has a freehand to alter the ratios during actual project implementation, and the winning bidder will not be violating any contractual obligation as long as it charges based on the rate per technology as approved by the ERC. To give a hypothetical example: for purposes of the bid proposal it will assume a ratio of 30% bunker and 70% renewable energy. Because of the 70%	all throughout the contract duration. 7.2 o) The Seller shall comply with the declared committed energy ratio during the implementation of this Contract Agreement. Failure to comply shall be considered as breach of contract and shall be subject to the provision of Section 19.

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	weight of renewable energy, which is considerably cheaper than conventional technology, the blended rate will naturally plummet. Without any consideration for the technology mix, the ERC will then approve the specific rates. In such case, nothing will prevent the winning bidder from implementing an entirely different ratio (i.e. 70% bunker and 30% renewable energy) during actual operations as long as it is based on the ERC-approved rates. If, during implementation, conventional technology is given a higher percentage, the actual rates charged will be higher than the blended rate. Thus, the winning bid will not be the cheapest one. From the foregoing example, it is clear that the bid is very susceptible to manipulation. Bidders can easily dive the blended rates by assuming an unrealistic ratio that will ensure winning the bid, and then later on change the ratios during implementation to ensure profitability and to suit their interests. Considering that only the TCGR per technology and not the assumed ratio for each technology will form part of the PSA, there will be no contractual obligation on the winning bidder's part to comply with their declared ratios.	
	The Terms of Reference ("TOR") requires the NPP to provide the baseload, regulating, and	We cannot delete renewable energy component because other types of RE are capable to

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	intermediate, peaking, and reserve requirements of OMECO, which can only be provided by conventional technology. Thus, Renewable Energy should not be assigned a big factor in determining the Lowest Calculated Bid. OMECO's TOR, in effect, already eliminated renewable energy as an option for its main technology by requiring baseload, regulating, intermediate, peaking, and reserve operating modes. This is inconsistent with the Official Bid Form, which assigns a portion to Renewable Energy in computing the blended rate (as shown in the Official Bid Form). By doing this, Renewable Energy may still have equal bearing as Conventional Technology in the determination of the Lowest Calculated Bid, depending on the ratio assigned to it. As discussed earlier, the Bidder will have unbridled discretion in assigning a ratio to conventional and renewable technology, which is at risk of being used to circumvent the bidding process. For these reasons, we suggest that the Renewable Energy component be deleted from the Official Bid Form and that the blended rate be only computed on the basis of the conventional technologies proposed.	provide baseload capacity. If the renewable energy is only intends to RPS compliance, the proposed rate shall be embedded to Conventional Power Plant rates.
	Under Schedule G, the penalty for unserved energy is to be multiplied by the Distribution Rate, Php/kw-hr	The Distribution Rate in Schedule G of the Draft PSA refers to the Average Distribution Rate of OMECO

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	that is still without any value or formula on how it will be computed. If this pertains to the Distribution Rate of OMECO, does this mean the Seller can still collect the equivalent electric subsidy for the unserved energy?	which varies monthly. Average Distribution Rate is computed as Total Sales in Pesos excluding Power Cost, System Loss Charge and other Government Charges such as UC-ME, taxes and cross subsidies for the month divided by the Total kWh Sales for the month. The Seller shall not collect UC-ME for the unserved energy.
	There are more questions Under Item 2 - Penalty on Contracted Capacity Reduction than it answer as follow; a. How the unavailable capacity is to be computed in terms of kw/rnonth when there is no convention on how to treat the various categories of unit shutdown? Also by this procedure it will be difficult to account for the unit deration (unit operating under capacity but classified as available) which are quite prevalent but most of time can be made confidential within the plant management.	 a. During the commercial operation, the Buyer has the right to verify the actual capacity of the plant as stated in the Draft PSA Section 14.4 and have the right to monitor plant status and output on a 24/7 basis as stated in the ITB Annex G – 2: 7.
	b. It is OMECO's answer to one of the query that transmission and distribution line faults which are also contributing to unserved energy are not falling in the category of force majeure. And rightly so since we know also for a fact that unserved energy from line faults are always not being counted as revenue in all of straight energy Php/kw-hr rates at NPC-SPUG	b. It is stated in the Schedule G of the Draft PSA that only interruptions caused by the Power Plant shall be charged of penalty for foregone revenue of the Buyer.

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	Areas but unfortunately is not included as one of the guideline under Schedule G.	
	Penalties are considered as non-revenue or purely financial losses. Why the need to tax it?	This is for revision. The tax is to be excluded.
	The OMECO Bid Price Schedule can arrive to the Lowest Calculated Bid (LCB) however dubious maybe is the corresponding bid offer and also could encounter a lot of problems in the system operation and collection of Electric Subsidy for the following reasons; 1. The Bid Price Schedule while with one common Fixed Capacity Fee, Fixed OM Fee, Variable OM Fee and Fuel Rate for plants at SAMARICA, Sablayan and MAPSA Areas is allowing each Bidders to have their own load dispatch model for the 3 plants including renewable energy and metering agreement. And the tendency of some of the Bidder in order to lower its bid price is to have an ideal model but could be far from being realistic or is impossible to implement and should be disqualified. The question is in what way the OMECO TBAC can be consistent in detecting a bid proposal that have this kind of irregularity?	The ratio of committed energy from Conventional Plant and Renewable Energy declared in the official bid form (ITB Annex C) shall be implemented all throughout the contract duration. The Seller shall comply with the declared committed energy ratio during the implementation of this Contract Agreement. Failure to comply shall be considered as breach of contract and shall be subject to the provision of Section 19.
	In the Bid Price Schedule with common power rates, and with this open technology of OMECO esp, the plant at SAMARICA could be bunker fired while plants at Sablayan and MAPSA are diesel fired modular units and between	Each power plant should have the capability to operate in an Island Mode and should consider that it will runs at one hundred percent (100%) capability. The Bidder shall refer to the projected 8760 hourly load, and demand and energy

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	them have completely different fuel economy and cost of fuel as the latter have much higher TCGR. Let's have a scenario that most of the units at plant at SAMARICA are either under PMS, at force outage or transmission line undergoing line repair after calamity requiring emergency operation of plants at Sablayan and MAPSA Areas for days and weeks time. The question is can OMECO blame the NPP for limiting the operation of these diesel fired plants in order to prevent incurring heavy financial losses? And that includes heavy penalty to be imposed by NPC for not meeting the fuel economy cap* that are necessarily based the weighted average of the three plants. Please note that Its rather remote that a Bidder will propose all bunker fired plants for SAMARICA, Sablayan and MAPSA Areas due to very high capitalized expenses with the remote possibility of winning the bid since the latter two plants have a very low plant factor and with long period of ROL This is compounded by the fact that the price difference between bunker fuel and diesel fuel in Occidental Mindoro is only Php 4.22 compared to other SPUG Areas of more than Php10.00. And what more if we have a combination of coal plant at SAMARICA and diesel plants at Sablayan and MAPSA Areas which have much considerable difference in respective TCGRs?	forecast given during the Due Diligence.

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	Setting a dangerous precedence with the series of failures of OMECO Bid Bulletins to provide categorical answers on critical issues: This is in connection to our repeated queries and request for confirmation which incidentally are closely related to wit; 1) The proposed TCGRs for all permanent plants and other power sources shall be in full effect whether they are completed earlier, on schedule or have been delayed beyond the maximum required 2 year period of COD.	Early commencement of New Generating Capacity is allowed but the rate to be used is subject for ERC approval.
	To make it official and include in the OMECOs Bid Bulletin that the winning Bidder cannot use as an excuse on not meeting the required COD in the event of its failure to secure ECC due to opposition of host communities and other stake holders. And recapping OMECO answers per Bid Bulletin No. 12; Item 1. OMECO once again failed to answer if the new transitional TCGR for permanent plant will still apply in case its construction has been delayed beyond the 2-year period. However, shall also seek approval from ERC if such transitional TCGR (which is much cheaper) shall apply in case of period of completion that is ahead of schedule which should be treated as moot and academic	Amendment to the provision in Section 9.2.4, any delay in the issuance of any Governmental Authorization in connection with the execution, delivery and commencement of performance of this Agreement, including without limitation, the relevant permits and all other Governmental Authorizations required pursuant to the EPIRA, and all applicable environmental laws and regulations of the Department of Environment and Natural Resources. The Seller shall submit a report to the Buyer on a monthly basis, **within six (6) months from the first day of delay,** regarding the status of the application for issuance of Government Authorizations.

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	in the first place. Item 2. Still no direct answer from OMECO except that may extend the contract period (for interim power plants) subject to ERC approval. May we request therefore one more time for OMECO to give a categorical answer to the above two questions. OMECO should also not a make a position in its Bid Bulletin that is conditioned on ERC approval which has never been seen in other CSP and especially when so much is at stake. That is like crossing a bridge once there without any regards to the damage that has been done. The above issues reminds us of an NPP in other NPP-SPUG Areas who was able to complete its proposed permanent plant with much lower TCGR only after more than a decade of collecting much higher TCGR and electric subsidies from the operation of interim plants to the detriment of power development program of affected provinces including most of all of the UCME Funds. Hoping for your appropriate action on the matter.	
Schedule A to G of draft of PSA remains void. For Schedule G - Penalties on Power Plant Outages in	We have mentioned in one of our letter that to avoid complication, the power rate for plant like SAMARICA operating at base load and regulation should be expressed in	All three plants should be capable to run in base, peaking and ancillary. We will maintain our provisions that the capacity fee should be expressed in PHP/kW/Month.

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particular, where a question has cropped up during one of the prebid conference asking as to what manner the plant/unit outages shall be computed.	Php/kw-hr and not Php/kw-month. That the latter applies only to ancillary plants that are not a priority dispatch like those at Sablayan and MAPSA Areas.	
With respect to Bid Price Schedule, still left unanswered the most important question as far as this CSP is concerned on how the Lowest Calculated Bid (LCB) shall be determined using the levelized rate set by OMECO TBAC.	With the way the Bid Price Schedule is presented where there are combinations of Php/kw-month and Php/kw-hr rates, its quite difficult to grasp how the levelized rate will come into play without the pre-assigned and natural wide-varying kw-hr demand for SAMARICA, Sablayan and MAPSA areas which should preferably for the entire 15-year contract period. In is for this reason that we have proposed a form for Bid Price Schedule which incorporates pre-assigned generation consistent with the load growth described in the tender that also complies with the Load Dispatch Protocol established by the ERC. This proposed Bid form will also enable the determination of LCB (before arithmetical correction) right after the opening of all commercial bids. If without the said pre-assigned wide-varying kw-hr demand on 3 areas, will OMECO just resort to the post bidding assignment of yet to be determined values in order to determine the LCB? If ever, anywhere you put it is highly questionable.	During the due diligence, OMECO provides energy and demand forecast for SAMARICA, MAPSA and Sablayan Area. We will maintain the Official Bid Form, Annex D of the Instruction to Bidders.

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Not included in the Bid Bulletin the concurrence of TPBAC to our proposal during the prebid to include the surplus power from Or. Mindoro in the energy mix thru Metering Agreement as long as the ERC approved power rate will result to the reduction of TCGR for OMECO. We also requested for confirmation that the cost of fuel and lube oil (from the generation of bunker fired plant) shall be based on month of November 2019 delivered price at Calapan, Or. Mindoro to be substantiated with supporting documents that will accompany the bid.	We also mentioned in one of our letter that this Metering Agreement that will reconnect the 69kv transmission line between the provinces of Oriental Mindoro and Occidental Mindoro is an opportunity to stabilize the system's delivery voltage.	The planned Net Metering Agreement is between OMECO and ORMECO. OMECO is willing to join in this program but as of this date, no rules or Draft Agreement is being issued. For this reason, we cannot include the proposal in this bidding. We will maintain the parameters in Annex C of the ITB.
ON OMECO BID BULLETIN NO .11 This is in reference to our letter dated Nov 06, 2019-For OMECO's confirmation on result of 2nd Prebid which reads as follow; To make it official	In connection thereof, we believe OMECO TBAC have made a resolution out of Section 7.2 a) On Responsibilities of Seller. The said resolution has just deleted the clause that the Seller shall not be held liable for its failure to secure an ECC or other government permits.	Please refer to Section 9 and 19 of the Draft PSA.

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and include in the OMECO's Bid Bulletin that the winning Bidder cannot use as an excuse on not meeting the required COD in the event of its failure to secure ECC due to opposition of host communities and other stake holders.	By just removing the clause does not change anything nor it make the desired terms absolute. The question if the Seller is liable for not meeting the COD cause by failure to secure ECC due to opposition of host communities remains a grey area.	
On Section 9.1- Sunset Clause and Delay Events This is in reference to our letter dated Nov 06, 2019-For OMECO's confirmation on result of 2nd Prebid On what period of time beyond the required completion period that the Seller can be classified to be in the state of default from its failure to put up the required capacity?	The word "may terminate" in our view bears no accountability which should be termed "is a cause to terminate" instead. There might come a time that OMECO Board is faced to make a decision reaching a point that terminating the contract is necessary where so much is at stake pertaining to power service in general including matters related to the electric subsidy.	Please refer to Section 9 and 19 of the Draft PSA.
	May we know your position / comments on this Proposed Ordinance? Will this affect the ongoing CSP? Will this change provisions in the Terms of Reference; ITB; annexes / references in the Bid Docs; CSP schedule time line; draft PSA?	The TPBAC informed all participating bidder that the Sangguniang Panlalagiwan of Occidental Mindoro had passed in Second Reading the Proposed Ordinance Com. Ref. 5475, *"An ordinance regulating the use of fossil fuels, and banning the use of coal fired energy source of power stations, thereby replacing or using alternative green energy as part of the*

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		global efforts to contribute to the goals of climate change". The said proposed ordinance will not affect the bidding documents.

This Bid Bulletin No. 15, Series of 2019 shall form part of the Bidding Documents. Any provisions in the Bidding Documents inconsistent herewith is hereby amended, modified and superseded accordingly.

For information of all concerned.

FOR THE TPBAC:

CELSO D. GARCIA
TPBAC Chairman