

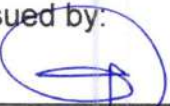
Terms of Reference (TOR)
for the Conduct of Competitive Selection Process (CSP)
by Camarines Norte Electric Cooperative, Inc. (CANORECO) for
its Base and Intermediate Load Requirements

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT
Type of Contract	Firm	Base and intermediate
Contracted Capacity (MW)	Varies with seasonality	See Annex "A" of TOR
Contracted Energy (kWh per month or year)	Varies with seasonality	See Annex "A" of TOR
Dependable Capacity (MW)	Minimum dependable Grid-connected generation capacity	63 MW
Contract Duration		Fifteen (15) years
Commercial Operation Date or Target Delivery Date (MM/DD/YYYY)	COD	26 December 2021 (12/26/2021)
Schedule of Delivery	Varies with seasonality	See Annex "A" of TOR
Tariff Structure	Shall be broken down into:	There will be no upper limits in the TOR as the bids will tend to crowd around the bounds, leading to higher bids
	Capital Recovery Fee	P/kWh, fixed
	Fixed O&M	P/kWh, adjusted according to monthly CPI
	Variable O&M	P/kWh, adjusted according to monthly CPI
	Fuel Fee	P/kWh; following a methodology set by CANORECO, shall reflect the actual fuel cost attributable to CANORECO
Outage Allowance per Plant	The winning Power Supplier shall maintain 24-hour availability of contract quantities to CANORECO	
Force Majeure	Monthly MEOT shall be reduced accordingly upon occurrence of Force Majeure events and transmission-side outages	
	Force Majeure includes, but shall not be limited to a typhoon, lightning, flood, drought, earthquake, tsunami, fire, war, rebellion, insurrection, riot, naval or other blockade, nationwide civil unrest, pandemic, national emergencies and other analogous circumstances whether natural or man-made, strikes, lockouts, and other labor dispute/s which in any such case are widespread or nationwide. It also includes change in Governmental Requirements in force	

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT
	Force Majeure shall not excuse either party from exercising due care and diligence to prevent it or minimize its effect/s	
	In the event of Force Majeure and there are facilities that can still be operated by either party, said party shall continue to perform its obligations under this PSA to the extent not affected by Force Majeure	
Replacement Power	<p>Should the Power Plant be unable to supply CANORECO's requirements fully or partially for any reason, the winning Power Supplier shall immediately provide Replacement Power from any of its generation facilities, or from other GenCos, or from WESM, while observing the same CRF, same base FOM, same base VOM and the applicable CPI month and same FF as the rest of the month or the previous month, as applicable.</p> <p>CANORECO will source from single plant under normal conditions while replacement power can be sourced by the winning Power Supplier from any other of its generation facilities, or from other GenCos, or from WESM.</p>	
Currency	PhP	
Regulatory Approvals	CANORECO and the winning Power Supplier shall abide by ERC's determination of the rates. Any modification of the PSA terms as dictated by ERC shall not be a ground for termination of the PSA.	
Dispatch by Utility (Off Grid)	Not applicable	
Penalties	The winning Power Supplier shall be subjected to an hourly base penalty rate of eight pesos (PhP8.00) for every kWh of supply it was unable to provide to CANORECO for any reason. The total amount shall be used to offset charges or paid directly to CANORECO as deemed appropriate by CANORECO. Said base penalty rate shall be subject to an annual escalation rate of 1.8%.	
Source of Power	Technology-neutral / open technology	
Plant Capacity	Minimum dependable Grid-connected generation capacity of 63 MW	
Technical Specifications	Further details are in the Instructions to Bidders	
Take-off Structure	Not applicable	
Eligibility Requirements	Whether operational or yet to be completed, the Power Plant shall have a minimum dependable Grid-connected generation capacity of 63 MW for a prospective Power Supplier to pre-qualify	
	Prospective Power Suppliers shall have no unfulfilled financial obligations to counterparties under other PSAs to pre-qualify	

TERMS OF REFERENCE	DESCRIPTION	REQUIREMENT
Termination	Upon COD, any accumulated period of material non-performance, which consists of failure to deliver contracted quantities for at least two (2) months within the immediately preceding six (6) months, which is not due to Force Majeure events, shall be sufficient grounds for possible termination of the PSA by CANORECO	
	The occurrence of the following events shall constitute just cause for the termination of the PSA: default, assignment/bankruptcy, breach, and cessation by either party of its business, operation, or legal existence.	
	The termination of the PSA shall not excuse any party from payment of any outstanding obligation/s to the other party incurred prior to the said termination	

Issued by:


GEDDIE C. ORCALES
Chairman, TPBAC

Noted by:


ZANDRO R. GESTIADA
General Manager

TERMS OF REFERENCE (TOR)
for the Conduct of Competitive Selection Process (CSP)
by Camarines Norte Electric Cooperative, Inc. (CANORECO)
for its Base and Intermediate Load Requirements

1. Introduction

CANORECO is conducting CSP for the base and intermediate load requirements of Mainland Camarines Norte.

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.

2. Supply Contract and Cooperation Period

2.1. CANORECO will sign a PSA with the winning Power Supplier, the commercial operations date (COD) of which shall be 26 December 2021.

2.2. Valid for fifteen (15) years, the PSA shall hold until 25 December 2036.

3. Basic Terms

3.1. List of Acronyms

AEOT	Actual Energy Offtake
CANORECO	Camarines Norte Electric Cooperative, Inc.
COD	Commercial Operations Date
CSP	Competitive Selection Process
CRF	Capital Recovery Fee
CPI	Consumer Price Index
DOE	Department of Energy
DU	Distribution Utility
ERC	Energy Regulatory Commission
FOM	Fixed O&M Fee
FF	Fuel Fee
GenCo	Generation Company
MEOT	Minimum Energy Offtake
NGCP	National Grid Corporation of the Philippines
OED	Operations Efficiency Discount
PPD	Prompt Payment Discount
PSA	Power Supply Agreement
RES	Retail Electricity Supplier
TOR	Terms of Reference
VOM	Variable O&M Fee
WESM	Wholesale Electricity Spot Market

3.2. Source of Generation

3.2.1. Under normal conditions, the winning Power Supplier shall supply CANORECO's requirements from a single Power Plant which it shall indicate in its bid.

3.2.2. The CSP shall be technology-neutral such that the Power Plant's energy resource shall not be constrained to be of a certain fuel type.

3.2.3. The delivery and metering point shall be at the Plant Gate.

3.3. Contract Quantities

3.3.1. CANORECO's monthly contracted capacity in MW and corresponding monthly **MEOT** in kWh shall be as shown in Annex "A".

3.3.2. Monthly **MEOT** shall be reduced accordingly upon occurrence of Force Majeure events and transmission-side outages.

3.3.3. Monthly **MEOT** shall be reduced accordingly in cases where the Power Plant is unavailable and the winning Power Supplier failed to provide Replacement Power.

3.3.4. As applicable, monthly **MEOT** shall be reduced by pro-rating based on deductible hours and Billing Month hours, as follows:

$$MEOT_{reduced} = MEOT_{original} \times \left(1 - \frac{h_{ded}}{h_{BM}}\right)$$

3.3.5. CANORECO shall be billed according to **MEOT** or **AEOT**, whichever is larger.

3.4. Incidental Expenditures

3.4.1. The winning Power Supplier shall reimburse the cost of load flow study and publication in newspaper/s of general circulation within the Philippines conducted for the purpose of the subject CSP.

3.4.2. All costs of jointly filing the PSA application to ERC shall be borne by the winning Power Supplier.

3.5. Guaranteed Service

3.5.1. The winning Power Supplier shall maintain 24-hour availability of contract quantities to CANORECO.

3.5.2. Should the Power Plant be unable to supply CANORECO's requirements fully or partially for any reason, the winning Power Supplier shall immediately provide Replacement Power from any other of its generation facilities, or from other GenCos, or from WESM, while observing the same CRF, same base FOM, same base VOM

and the applicable CPI month and same FF as the rest of the month or the previous month, as applicable.

CANORECO will source from single plant under normal conditions while replacement power can be sourced by the winning Power Supplier from any other of its generation facilities, or from other GenCos, or from WESM.

3.5.3. The winning Power Supplier shall be subjected to an hourly base penalty rate of eight pesos (PhP8.00) for every kWh of supply it was unable to provide to CANORECO for any reason. The total amount shall be used to offset charges or paid directly to CANORECO as deemed appropriate by CANORECO. Said base penalty rate shall be subject to an annual escalation rate of 1.8%.

3.5.4. Upon COD, any accumulated period of material non-performance, which consists of failure to deliver contracted quantities for at least two (2) months within the immediately preceding six (6) months, which is not due to Force Majeure events, shall be sufficient grounds for possible termination of the PSA by CANORECO.

3.6. Payment

3.6.1. The monthly payment due shall be given by the sum **CRF** + **FOM** + **VOM** + **FF** less **PPD** and **OED**, multiplied by **MEOT** or **AEOT**, whichever is larger, plus Taxes.

3.6.2. **CRF** shall be in P/kWh, shall be fixed throughout the life of the PSA, and shall not be subject to indexation.

3.6.3. **FOM** and **VOM** shall be in P/kWh and shall be adjusted according to monthly CPI for All Income Households in the Philippines (All Items, 2012 =100) using the value at the time of PSA signing as base. CPI month shall be as indicated in the website of the Philippine Statistics Authority (www.psa.gov.ph) for the calendar month within which the start of the current Billing Period occurs.

$$FOM = FOM_{base} \times \frac{CPI_{month}}{CPI_{base}}$$

$$VOM = VOM_{base} \times \frac{CPI_{month}}{CPI_{base}}$$

3.6.4. **FF** shall be in P/kWh and, following a methodology set by CANORECO, shall be calculated as the product of **NHR** and **FC** divided by **CV** to reflect the actual fuel cost attributable to CANORECO.

3.6.4.1. Net heat rate in BTU/kWh is the ratio of the input heat from the fuel to the output electrical energy as measured from the Plant Gate. **NHR** shall be the lesser of the weighted average net heat rates of all generating units and the guaranteed net heat rate as provided in the bid. The net heat rates of generating units shall be derived from a heat rate test conducted within the last three hundred sixty (360) days by a qualified third party tester approved

by CANORECO, with CANORECO as witness, and paid for by the winning Power Supplier.

3.6.4.2. **FC** or the fuel cost in P/unit shall be the total cost of fuel inclusive of hauling charges divided by the quantity of fuel delivered to the Power Plant, as evidenced by official receipts (or any proof of payment) of the five latest deliveries of fuel:

$$FC = \frac{\sum_{i=1}^5 PhP_i}{\sum_{i=1}^5 Qty_i}$$

3.6.4.3. **CV** shall be the calorific value in BTU/unit for the five latest deliveries of fuel to the Power Plant as evidenced by a Certificates of Analysis or equivalent:

$$CV = \frac{\sum_{i=1}^5 CV_i \times Qty_i}{\sum_{i=1}^5 Qty_i}$$

3.6.4.4. Alternatively, if the sales contract for fuel is on a P/kWh, P/BTU, or P/PJ basis, or equivalent, **FF** may be derived directly from official receipts of the latest delivery to the Power Plant and/or **NHR** as applicable. Further, in some cases, **FF** may be equal to zero.

3.6.5. To reduce the generation charge passed on to CANORECO's captive customers, full payment made on or before the twenty-seventh (27th) day of the month upon receipt of invoice shall entitle CANORECO to a **PPD** in P/kWh not lower than three percent (3%) of the sum **CRF** + **FOM** + **VOM**, provided that CANORECO has no overdue payables. Bids shall take **PPD** into account and in no case shall the submitted bids or approved rates be increased.

3.6.6. CANORECO shall be entitled to an OED of 0.0977 P/kWh if the average system loss does not exceed 13%, the collection efficiency is not lower than 90%, and the load factor is not lower than 60%.

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

3.7. Unbundled Tariff Components

3.7.1. The proposed Power Supplier Rate shall be broken down into unbundled tariff components as follows:

Component	Unit
Capital Recovery Fee (CRF)	P/kWh
Fixed O&M Fee (FOM)	P/kWh
Variable O&M Fee (VOM)	P/kWh
Fuel Fee (FF)	P/kWh
= Net Heat Rate (NHR)	BTU/kWh
x Fuel Cost (FC)	P/unit

+ Calorific Value (CV)	BTU/unit
Taxes	P/kWh

3.7.2. For the purpose of evaluation of bids, **FF** shall be set as the product of **NHR** and **FC** divided by **CV**.

3.7.2.1. The value to be used for **NHR** in the evaluation shall be that which is guaranteed for a condition where all generating units (excluding black start units) are running at 90% generation capacity based on nameplate rating. The guarantee may come from the manufacturer or from the prospective Power Supplier itself. This shall serve as the cap for the purposes of pass-on charges.

3.7.2.2. The value to be used for **FC** in the evaluation shall be the total cost of fuel inclusive of hauling charges divided by the quantity of fuel delivered to the Power Plant, as evidenced by official receipts (or any proof of payment) of the five latest deliveries of fuel:

$$FC = \frac{\sum_{i=1}^5 PhP_i}{\sum_{i=1}^5 Qty_i}$$

3.7.2.3. The value to be used for **CV** in the evaluation shall be the weighted-average calorific value for the five latest deliveries of fuel to the Power Plant as evidenced by Certificates of Analysis or equivalent:

$$CV = \frac{\sum_{i=1}^5 CV_i \times Qty_i}{\sum_{i=1}^5 Qty_i}$$

3.7.2.4. If the Power Plant is yet to be constructed or Plants under testing and commissioning, the values for **NHR**, **FC**, and **CV** shall be supported by supplier guarantees and detailed estimates.

3.7.2.5. Alternatively, if the sales contract for fuel is on a P/kWh, P/BTU, or P/PJ basis, or equivalent, **FF** may be derived directly from official receipts of the latest fuel delivery to the Power Plant and/or **NHR** as applicable. In some cases, **FF** may be equal to zero.

3.7.3. **PPD** and other applicable discounts shall be set to zero for the purpose of evaluation of bids.

4. Pre-qualification and Selection

4.1. Whether operational or yet to be completed, the Power Plant shall have a minimum dependable Grid-connected generation capacity of 63 MW for a prospective Power Supplier to pre-qualify.

4.2. Prospective Power Suppliers shall have no unfulfilled financial obligations to counter parties under other PSAs to pre-qualify.

4.3. The pre-qualified prospective Power Supplier with the lowest CRF + base FOM + base VOM + evaluated FF + applicable Taxes shall be declared the lowest calculated bid.

4.4. Further details are in the Instructions to Bidders.

5. Post Selection

5.1. CANORECO and the winning Power Supplier shall abide by ERC's determination of the rates. Any modification of the PSA terms as dictated by ERC shall not be a ground for termination of the PSA.

5.2. After signing the PSA, CANORECO shall deliver to the winning Power Supplier a Security Deposit in the form of standby letter of credit in the amount equal to the product of the winning evaluated Power Supplier Rate in P/kWh and the lowest monthly ~~MEOT~~ in kWh for the first year of the PSA not later than thirty (30) days before COD.

5.3. Every twelve (12) months from COD, CANORECO shall deliver to the winning Power Supplier a renewal Security Deposit in the amount equal to the lowest invoice issued by the winning Power Supplier to CANORECO for the immediately preceding twelve (12) months not later than ninety (90) days after the commencement of the second contract year and every year thereafter.

5.4. Should any eligible captive customer of CANORECO opt to avail only of distribution, supply, and metering services, the contracted quantities shall not be reduced without the consent of the winning Power Supplier.

5.5. CANORECO may, at its own discretion, assign any portion of the contracted quantities to its RES, upon due notice in writing to the winning Power Supplier at least one (1) month before the assignment.

5.6. At any point during the life of the PSA, if there is a change in ownership of the Power Plant, the winning Power Supplier shall assign to the new owner the fulfillment of its obligations under the PSA for the remaining life of the PSA while observing the same or lower rates upon concurrence of CANORECO and approval of both DOE and ERC. The winning Power Supplier shall issue a notice of assignment of PSA to CANORECO at least six (6) months prior to the assignment.

5.7. At any point during the life of the PSA, if the winning Power Supplier constructs a brand-new plant, the winning Power Supplier may fulfill its obligations under the PSA through the brand-new plant for the remaining life of the PSA while observing the same or lower rates upon concurrence of CANORECO and approval of both DOE and ERC. The winning Power Supplier shall notify CANORECO accordingly.

5.8. Further details are in the Instructions to Bidders.

6. Force Majeure

6.1. Force Majeure is an extraordinary event which cannot be foreseen or which though foreseen, cannot be avoided. It includes, but shall not be limited to a typhoon, lightning, flood, drought, earthquake, tsunami, fire, war, rebellion, insurrection, riot, naval or other blockade, nationwide civil unrest, pandemic, national emergencies and other analogous circumstances whether natural or man-made, strikes, lockouts, and other labor dispute/s which in any such case are widespread or nationwide. It also includes change in Governmental Requirements in force from time to time after the date hereof, including any change in the policies or the interpretation or application of policies of the Department of Energy, ERC, NGCP or any Governmental Authority that regulates or exercises jurisdiction over the electric power industry, including the WESM, or any sector thereof or participant therein.

The event must render it impossible for a party to fulfill its obligations in a normal manner despite the exercise of due care and diligence. Force Majeure shall not excuse either party from exercising due care and diligence to prevent it or minimize its effect/s.

In the event of Force Majeure and there are facilities that can still be operated by either party, said party shall continue to perform its obligations under the PSA to the extent not affected by Force Majeure.

6. 2. The party seeking to rely on an event of Force Majeure to excuse failure or delay in the performance of its obligations shall notify the other party as soon as reasonably practicable of the nature of the Force Majeure being claimed and the extent of damage that may be caused by the Force Majeure being claimed and its effects to the party's obligation under this Agreement, and such party shall resume the performance of its obligations as soon as reasonably practicable if the event of Force Majeure no longer exists.

The other party shall have five (5) days to verify, based on any available documentation, or deny in writing that such situation exists. If the other party disputes the occurrence of such event of Force Majeure, the parties shall endeavor in good faith to resolve the dispute within ten (10) days after receipt by the claiming party of the other party's notice of denial. In case the dispute is not resolved within ten (10) days, then the matter shall be deemed to be a dispute cognizable by the ERC and other appropriate agency.

6.3. The restructuring of the electricity industry, unbundling of business functions and/or power rates, and insolvency or business losses shall not be considered events of Force Majeure.

6.4. A party may be excused from the prompt performance of its obligations under the PSA by reason of Force Majeure, subject to the aforesaid provisions.

6.5. The affected party shall notify the other party thru any available fastest means of communication of a Force Majeure situation immediately or soonest possible time to be followed by a written notice not later than fifteen (15) days from its occurrence. The other party, upon receipt of the notice, as soon as practicable, shall immediately

verify the existence of the situation and inform in writing the affected party of the existence or non-existence thereof not later than fifteen (15) days from said receipt.

6.6. A verified event of Force Majeure which prevents a party from supplying or taking electricity for at least six (6) months, or as agreed upon by both parties to prevent the supply or taking of electricity for a continuous period of at least six (6) months shall entitle either Party to terminate the PSA.

7. Termination

7.1. Upon COD, any accumulated period of material non-performance, which consists of failure to deliver contracted quantities for at least two (2) months within the immediately preceding six (6) months, which is not due to Force Majeure events, shall be sufficient grounds for possible termination of the PSA by CANORECO, and forfeiture of the Performance Security.

7.2. In addition, the occurrence of the following events shall constitute just cause for the termination of the PSA without prejudice to the provisions on Indemnification:

- a. Default. Failure by either party in the due observance or performance of any term, covenant, or agreement contained herein, which failure continues for a period of sixty (60) days after written notice, specifying the breach and requiring it to be remedied, shall have been given to the Defaulting Party by the Aggrieved Party.
- b. Assignment / Bankruptcy. An assignment by either party for the benefit of creditors, the filing of a petition for bankruptcy by either party, adjudication of insolvency or bankruptcy of either party, or petition by either party to any tribunal for the appointment of receiver/s.
- c. Breach. At least three (3) repeated acts of violation of any of the provisions of the PSA, notwithstanding the cure or correction of the breach within the time allowed.
- d. Cessation by either party of its business, operation, or legal existence.

7.3. The termination of the PSA shall not excuse any party from payment of any outstanding obligation/s to the other party incurred prior to the said termination.

Issued by:


GEDDIE C. ORCALES
Chairman, TFPBAC

Noted by:


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