

**Republic of the Philippines
DEPARTMENT OF ENERGY**

DEPARTMENT ORDER No. DO2005-03-003

**CREATING AN INTER-AGENCY COMMITTEE FOR THE BIDDING
AND ASSIGNMENT OF THE 304 MEGAWATT
SAN PASCUAL NATURAL GAS PROJECT**

WHEREAS, Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), mandates the Department of Energy (DOE), among others, to ensure the reliability, quality and security of supply of electric power and oversee the implementation of the Power Development Program;

WHEREAS, the 2004 Philippine Energy Plan Update projects a generation capacity shortfall in Luzon in 2008-2009, and as such there is an urgent need to provide for the capacity requirements to meet such demand;

WHEREAS, it is the policy of the State to maximize the utilization of natural gas as an indigenous energy source;

WHEREAS, on September 10, 1997, the San Pascual Power Purchase Agreement (PPA) was entered into by San Pascual Cogeneration Company (SPCC) and the National Power Corporation (NPC) for the construction and operation of a 304 MW generation plant powered by low sulfur wax residue, with a target commercial operations date of 2001;

WHEREAS, in November 2000, NPC approved the Proposal of SPCC for the conversion of the San Pascual project from low sulfur wax residue to natural gas, which is expected to result in a reduced production cost of electricity per kilowatt hour;

WHEREAS, in December 2003, the General Framework Agreement (GFA) for the assignment of the San Pascual PPA, signed by San Pascual Cogeneration Company (SPCC), the Power Sector Assets and Liabilities Management Corporation (PSALM) and NPC, was approved in principle by the National Economic Development Authority Investment Coordinating Committee (NEDA-ICC);

WHEREAS, on January 22, 2004, the Office of the Government Corporate Counsel (OGCC) rendered an Opinion that the assignment and bidding of the San Pascual Project as an existing capacity is not violative of the provisions of the EPIRA;

WHEREAS, the San Pascual PPA may be assigned until December 31, 2005, after which the San Pascual PPA terminates and the capacity associated therewith can no longer be established under the terms of the PPA, thus depriving the Luzon grid of valuable additional generating capacity;

NOW, THEREFORE, premises considered the Department of Energy hereby creates an Inter Agency Committee for the assignment and bidding of the 304MW San Pascual Natural Gas Generation Project, under the following terms and conditions:

Section 1. Composition - The Inter-Agency Committee shall be composed of officials from the Department of Energy (DOE), PSALM and NPC. NPC shall be the Lead Agency. The representative from DOE shall be the Chairman and the representative from NPC shall be the Vice Chairman. PSALM and NPC shall provide the necessary technical, legal and financial support for the achievement of the objectives of the Inter-Agency Committee.

Section 2. Powers and Functions. - The Inter-Agency Committee shall have the following powers and functions which it shall discharge in order to achieve the purpose of bidding out and assigning the 304MW San Pascual Natural Gas Generation Project before December 31, 2005:

1. Review existing documents pertaining to the project;
2. Draft the amended Power Purchase Agreement in accordance with the relevant government approvals, including the NEDA-ICC approval in principle and the DOJ Opinion of June 4, 2004;
3. Prepare Terms of Reference and other bid documents;
4. Oversee the bidding to be conducted by NPC;
5. Obtain all necessary approvals;
6. Provide regular updates to the DOE;
7. With prior approval of the DOE, to hire consultants necessary for the project;
8. Perform other tasks as may be required.

The Committee may invite representatives from other government agencies when deemed necessary by the Chairman.

Section 3. Appropriation. - The NPC shall appropriate funding and resources to effect this Department Order.

Section 4. Effectivity. - The Circular shall take effect immediately and shall terminate on the earlier of the successful assignment of the San Pascual PPA or December 31, 2005.

Fort Bonifacio, Taguig City, Metro Manila.
11 March 2005

(Sgd.) VICENTE S. PÉREZ
Secretary