

DEPARTMENT CIRCULAR NO. DC 2021- _____

**PRESCRIBING THE POLICY FOR THE
TRANSPARENT AND EFFICIENT PROCUREMENT OF
ANCILLARY SERVICES BY THE SYSTEM OPERATOR**

WHEREAS, Republic Act (RA) No. 9136 or the *Electric Power Industry Reform Act of 2001* (EPIRA), Section 2 (b) and (c), declares that it is the policy of the State to ensure the quality, reliability, security and affordability of the supply of electric power; and to ensure the transparent and reasonable prices of electricity in a regime of free and fair competition and full accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market. Furthermore, Section 2 (f) of the EPIRA declares that it is also the policy of the State to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;

WHEREAS, Section 21 of the EPIRA provides that the concessionaire of the national transmission assets shall be responsible for the improvement, expansion, operation, and/or maintenance of its transmission assets and shall comply with the Grid code and the TDP as approved;

WHEREAS, System Operator (SO) contracts with generation companies with ancillary service accredited generating facilities to provide ancillary services;

WHEREAS, ancillary services are services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and the Grid code;

WHEREAS, on 4 December 2019, the DOE issued Department Circular No. DC2019-12-0018, entitled “Adopting A General Framework Governing the Provision And Utilization of Ancillary Services in the Grid”, which mandates the System Operator to procure the full requirement for Ancillary Services to meet the power quality and reliability of the grid;

WHEREAS, On 13 May 2021, the DOE promulgated Department Circular No. 2021-03-0009 entitled “Adopting a general framework governing the operationalization of the Reserve Market in the Wholesale Electricity Spot Market (WESM) which mandates the System Operator to ensure adequate and least cost procurement of AS through combination of AS contracts and the reserve market;

WHEREAS, DC2021-03-0009 further provides that the System Operator shall allow for non-discriminatory participation of AS providers and shall conduct a competitive selection process for AS contracts in accordance with the guidelines to be promulgated by the DOE;

WHEREAS, contracting AS through competitive selection shall improve transparency, competitiveness, and wide dissemination of bid opportunities to ensure participation of all eligible generation companies to meet the required levels of AS;

NOW, THEREFORE, in consideration of the foregoing, the DOE hereby issues and promulgates the Competitive Selection Process in the procurement of Ancillary Services by the System Operator

SECTION 1. GENERAL PRINCIPLES.

The procurement by the System Operator of Ancillary Services through contracts shall be governed by the following principles:

- 1.1. Transparency and non-discriminatory treatment of all AS providers in the procurement of ancillary services through the conduct of Competitive Selection Process or applicable modality provided in this circular that allows wide dissemination of bid opportunities and participation of all generation companies capable of providing Ancillary Services;
- 1.2. Promote and instill competition in the procurement and supply of electric power to grid users by extending equal opportunity and eligible and qualified generation companies to participate in CSP for AS;
- 1.3. Protect the interest of the general public as it is affected by the rates and services of electric utilities and other providers of electric power by ensuring sufficient and least-cost provision of AS;
- 1.4. Accountability in the procurement process by ensuring timely observance in the processes involved in the conduct of CSP, particularly the capability testing of generating facilities and issuance of other requisites in accordance with the ease of doing business principles; and
- 1.5. All AS contracts shall be entered into by the SO in accordance with the competitive procurement mechanisms as provided hereunder this circular.

SECTION 2. SCOPE OF APPLICATION AND COVERAGE.

This Circular shall apply to the following:

- 2.1. System Operator (SO);
- 2.2. Market Operator;
- 2.3. WESM Governance Arm;
- 2.4. All Generating Facilities, including Embedded Generators providing Ancillary Services;
- 2.5. National Transmission Corporation; and
- 2.6. Energy Regulatory Commission

SECTION 3. DEFINITIONS OF TERMS.

- 3.1. **Ancillary Services** or **AS** - Support services such as Primary Reserve, Secondary Reserve, Tertiary Reserve, Reactive Power support, and Black Start Capability which are necessary to support the transmission capacity and Energy that are essential in maintaining Power Quality and the Reliability of the Grid.
- 3.2. **Ancillary Service Provider** - A person or entity providing Ancillary Services regardless of whether it is duly registered or not with the Market Operator, provided, however, that upon certification by the Transmission Provider and prior to trading in the WESM, it shall register with the Market Operator.
- 3.3. **Embedded Generator** – refers to generating units that are indirectly connected to the Grid through the distribution system that supplies power to its host DU or the Grid.
- 3.4. **Grid Users** – any users of the High Voltage backbone system of interconnected transmission lines, substations and related facilities, located in each of Luzon, Visayas and Mindanao, or as may be determined by the ERC in accordance with Section 45 of the Act which may be generation companies, directly connected customers, or distribution utilities.
- 3.5. **System Operator** - the section within the National Grid Corporation of the Philippines organization responsible for generation dispatch, or the implementation of the dispatch schedule of the Market Operator, the scheduling and dispatch of Ancillary Services, and operation to ensure the safety, power quality, stability, reliability and security of the Grid.

SECTION 4. ANCILLARY SERVICE AGREEMENT PROCUREMENT PLAN

- 4.1. The System Operator shall develop and submit to the DOE its annual Ancillary Service Agreement Procurement Plan (ASAPP) not later than 31 March of every year which contain the projected AS requirements for the next five (years).
- 4.2. The ASAPP shall be posted at the SO website within three days from receipt of the approval by the DOE but should not be later than 30 April of every year. The posting at the SO website shall declare the commencement of the competitive selection process.
- 4.3. The SO's ASAPP shall contain the following:
 - a. Type of AS requirement per grid;
 - b. 10-year AS requirement serve Requirement forecast; existing ASPAs (providing the location and expiration); and
 - c. Monthly levels of AS requirement per grid to account for seasonality;

SECTION 5. THIRD PARTY BIDS AND AWARDS COMMITTEE

5.1 Third Party Bids and Awards Committee (TPBAC).

5.1.1 The SO, through its Board of Directors (BOD), shall establish an independent TPBAC to spearhead and manage the CSP. The TPBAC shall comply with the policy and procedures in the conduct of CSP, as provided for in this Policy. The TPBAC shall be accountable to its decision in the conduct of the CSP; provided however, that the SO shall bear the expenses for any dispute or litigation arising from the CSP;

5.1.2 The SO, through its Board of Directors (BOD), shall designate five (5) members of the TPBAC where three (3) members will come from the System Operator two (2) members will come from the grid users that are not generation companies or affiliated to thereto. As such, the TPBAC shall be composed of the following.

5.1.2.1 One SO officer or employee knowledgeable in the technical operations of the transmission system;

5.1.2.2 One SO officer or employee with knowledge and/or experience with any local or international competitive bidding procedures and has knowledge on electricity pricing;

5.1.2.3 One SO lawyer knowledge in the legal framework of operating the transmission system;

5.1.2.4 One Distribution Utility representative; and

5.1.2.5 One representative from the National Transmission Corporation.

5.1.3 The BOD of the SO shall only serve as an observer and not as a member of the TPBAC;

5.1.4 The Chair and Vice Chair of the TPBAC shall be selected by its members. The Chairman shall only vote in case of a tie;

5.1.5 A quorum of the TPBAC shall be composed of a simple majority of all voting members of the TPBAC; and

5.1.6 A decision on all questions of the TPBAC shall require the majority of all the voting members of the TPBAC.

5.2. TPBAC Technical Working Group (TWG) and Secretariat

5.2.1 The BOD of the SO shall designate the TPBAC TWG and TPBAC Secretariat, to be headed by a regular or permanent employee of the SO, preferably an officer, to assist the TPBAC in the performance of its functions.

- 5.2.2 The TPBAC TWG shall be composed of the technical, legal and financial personnel of the SO.
- 5.2.3 The TPBAC TWG shall assist the TPBAC in the technical components of the CSP, such as development of the PSPP, TOR, eligibility screening, evaluation of bids and post-qualification.
- 5.2.4 The TPBAC Secretariat shall provide administrative support to the TPBAC for this purpose and serve as the keeper of all records and documents relating to all CSPs conducted by the SO.
- 5.2.5 The TPBAC Secretariat shall fully document each step of the CSP and prepare and keep a written minutes of all the TPBAC meetings and proceedings.

SECTION 6. ANCILLARY SERVICE CSP OBSERVERS

- 6.1 To assure all parties to the CSP for power supply that the process employed is conducted in an open, transparent, effective, efficient, and equitable manner, the TPBAC, shall invite observers in accordance with this Policy.
- 6.2 Observers shall be extended to the DOE, ERC, and TRANSCO.
- 6.3 CSP Observers shall not participate in the proceedings and have no right to vote. Observers shall be given written and email invitations at least five (5) working days before the date of the procurement stages.
- 6.4 An invitation in writing and e-mail to Observers shall be extended at each of the following stages of the CSP.
 - 6.4.1 Pre Bid Conference
 - 6.4.2 Pre-qualification, if any;
 - 6.4.3 Submission and Opening of Bids.
 - 6.4.4 Bid Evaluation;
 - 6.4.5 Post-qualifications, if any;
 - 6.4.6 Awarding; and
 - 6.4.7 Contract Signing.
- 6.5 Observers shall be allowed access to the following documents upon their request (a) minutes of TPBAC meetings; (b) abstract of Bids; (c) post-qualification summary report; (d) video recording of CSP proceedings; (e) opened proposals; (f) Bid Documents and other related documents.

- 6.6 The SO is required to make and keep, as part of the TPBAC records, a complete and unedited video record of the proceedings in cases where no Observer is present.
- 6.7 The absence of Observers will not nullify the CSP proceedings; Provided, that Observers have been duly invited in writing and e-mail within the prescribed period.

SECTION 7. ANCILLARY SERVICE COMPETITIVE SELECTION PROCESS

- 7.1 Within six (6) months from the effectivity of this Circular, the System Operator shall conduct CSP for the procurement of its Ancillary Service requirements for the next five (5) years. Thereafter, the SO may periodically conduct the CSP in accordance with this policy provided that it is compliant with the 100% AS requirement prior to the commercial operation of the Reserve Market.
- 7.2 The SO shall comply with the standard procurement procedures, documents and forms in the procurement of power supply for their Captive Market under this Policy.
- 7.3 The TWG of the TPBAC shall prepare the Bid Documents, which shall be composed of the following:
 - 7.3.1 The TOR based on the recent ASAPP submission shall which, at the minimum, contain the following information:
 - 7.3.1.1 Cooperation Period with the AS Provider;
 - 7.3.1.2 Type of AS;
 - 7.3.1.3 Level of AS required;
 - 7.3.1.4 AS Provider responsibility to comply with the Grid Code, WESM Rules and other related issuances by the DOE and the ERC; and
 - 7.3.1.5 Grounds for termination of the ASPA during the cooperation period.
 - 7.3.2 The Invitation to Bid shall, at the minimum, indicate the following:
 - 7.3.2.1 Cooperation Period/Contract Year;
 - 7.3.2.2 Type of AS;
 - 7.3.2.3 Level of AS required;
 - 7.3.2.4 Eligibility requirements;
 - 7.3.2.5 Information memorandum;
 - 7.3.2.6 Instruction to Bidders; and
 - 7.3.2.7 Schedule and Deadlines up to the Notice to Proceed

- 7.3.3 Corporate Profile of the bidders;
- 7.3.4 Technical Proposal's requirements;
- 7.3.5 Financial Proposal's requirements;
- 7.3.6 Method and Criteria for evaluation;
- 7.3.7 Bidding Procedure;
- 7.3.8 Awarding, Signing of Contract, and Notice of Implementation;
- 7.3.9 Acceptable Form of Bid and Performance Securities;
- 7.3.10 Proposed Timelines or Milestones;
- 7.3.11 ASPA Template
- 7.3.12 Notarized Statement attesting to the information submitted for the bid;
- 7.3.13 Protest Mechanism; and
- 7.3.14 Other documents required and mandated by any government agencies.

7.4 Publication and Posting

The SO shall cause the publication and posting of the Invitation to Bid for the procurement opportunity in accordance with this Policy for the period specified therein.

- 7.4.1 The SO shall post the Invitation to bid, all bid bulletins and related announcements in its website and in the DOE website.
- 7.4.2 The SO shall also cause the publication of the Invitation to Bid in a newspaper of general circulation once weekly for two (2) consecutive weeks.
- 7.4.3 In addition to publication, SO shall exert its best effort to disseminate its invitation to Bid to all GenCos.
- 7.4.4 For transparency, all stages and updates on the CSP that coincides with its CSP schedule must be provided to the DOE, including but not limited to the Bid Bulletins relating to the following:
 - 7.4.4.1 Invitation to Bid;
 - 7.4.4.2 Pre-qualification, if any;
 - 7.4.4.3 Pre-bid Conference;

- 7.4.4.4 Submission and Opening of Bids;
- 7.4.4.5 Bid Evaluation;
- 7.4.4.6 Post-qualification, if any;
- 7.4.4.7 Awarding and Contract Signing; and
- 7.4.4.8 Joint filing before the ERC.

7.5 Pre-Bid Conference

- 7.5.1 The TPBAC shall conduct a pre-bid conference to address the queries from the prospective bidders.
- 7.5.2 The pre-bid conference shall discuss, among other things, the eligibility requirements, the TOR and the technical legal and financial components of the ASPA to be bid out
- 7.5.3 The TPBAC shall reply to the written queries or clarifications of the GenCos who have purchased the Bid Documents in the form of Bid Bulletins.
- 7.5.4 Decisions of the TPBAC amending any provision of the Bidding Documents shall be issued in writing through a Supplemental/Bid Bulletin at least seven (7) working days before the deadline for the submission and receipt of bids.
- 7.5.5 Supplemental/Bid Bulletins may be issued in the following circumstances.
 - 7.5.5.1 Request of the prospective GenCos for clarification(s) on or for an interpretation of any part of the Bid Documents; and
 - 7.5.5.2 Upon the initiative of the TPBAC for purposes of clarifying or modifying any provision of the Bidding Documents. Any modification to the Bid Documents shall be identified as an amendment.

7.6 Bid Evaluation Criteria and Process

- 7.6.1 The TPBA shall undergo a qualification evaluation of the legal, technical, and financial requirements submitted by GenCos using the criteria indicated in the Bid Documents.

7.7 Receipt and Opening of Bids.

- 7.7.1 The Bidders shall be required to submit their bids on or before the deadline stipulated in the Bid Documents and the supplemental Bid Bulletins.

- 7.7.2 The opening of bids shall take place in the presence of all qualified bidders and the TPBAC.
- 7.7.3 The TPBAC shall proceed to determine the winning bidder using the valuation criteria prescribed in the Bid Documents.
- 7.7.4 The winning bidder should undergo a pre-/post-qualification process in order to determine whether the concerned bidder complies with and is responsive to all the requirements and conditions as specified in the TOR and other pertinent bidding documents.
- 7.8 Within five (5) working days upon signing of the ASPA, the SO and the winning bidder shall jointly file the ASPA to the ERC, copy-furnished the DOE and NEA, in case of ECs.
- 7.9 Each CSP shall be completed within ninety (90) calendar days from the time of publication of invitation to bid until submission of the ASPA to the ERC.
- 7.10 All expenses incurred in the conduct of the CSP shall be shouldered by the SO. The SO may, however, recover these expenses through the TOR.
- 7.11 The SO shall submit to the DOE copies of the ASPAs duly approved by the ERC for purposes of monitoring the implementation of this Circular.

SECTION 8. FAILURE TO CONDUCT THE COMPETITIVE SELECTION PROCESS

Should the DOE determine that the SO has been unable to maintain the required level of AS, and that the SO has failed to conduct a CSP six (6) months from the expiration of any of its ASPA, the DOE shall immediately direct the Market Operator to conduct an auction to fulfill the required level of AS.

For this purpose, the Market Operator shall submit for the DOE's, a procedure providing for the process and requirements to be observed in the conduct of AS auction. The procedure shall be submitted to the DOE within 3 months from the promulgation of this Circular.

SECTION 9. REGULATORY SUPPORT

- 9.1 The ERC, in the exercise of its powers and functions under the EPIRA shall establish and impose existing fines/ and or penalties for non-compliance of electric power industry participants to support the enforcement of this Policy.
- 9.2 The ERC shall have the power to review whether the parties have complied with the requirements of CSP and shall issue appropriate regulations upon as may be necessary.
- 9.3 The ERC shall develop an ASPA template that shall be used by electric power industry participants within 60 days upon the effectivity of this Policy.

9.4 The ERC shall develop rules and procedures to address dispute arising from the conduct of the CSP within 60 days upon the effectivity of this Policy.

SECTION 10. TRANSITORY PROVISION

Upon the effectivity of this Policy, all prospective firm ASPAs shall hereafter be procured in accordance with the guidelines set herein.

All non-firm ASPA that have been procured and executed, including those to be filed and pending before the ERC, prior to this Circular shall be negotiated into firm ASPA within 30 calendar days. All non-firm ASPA that are not converted to firm ASPA shall render the contract unenforceable.

SECTION 11. REPEALING CLAUSE

Nothing in this Circular shall be construed as to amend, supersede, or repeal any of the mechanism or institutions already existing or responsibilities already allocated or provided for under any existing law, rule, or contract.

SECTION 12. SEPARABILITY CLAUSE

If for any reason that any section of this Circular is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

SECTION 13. EFFECTIVITY

This Circular shall take effect fifteen (15) calendar days upon its publication in at least two (2) newspapers of general circulation. Copies thereof shall be filed with the University of the Philippines Law Center – Office of National Administrative Register (UPLC-ONAR).

Issued on _____ at Energy Center, Bonifacio Global City, Taguig City.

ALFONSO G. CUSI
Secretary

**ANNEX A
ASPA TERMS OF REFERENCE (TOR)**

A. GENERAL INFORMATION

1. Name of Contracting Party (Buyer): National Grid Corporation of the Philippines (SO)

2. Grid to be Served

- Luzon
- Visayas
- Mindanao

3. Current Year of Filing: _____

4. Prerequisite for TOR Submission

DOE Approval of TPBAC Selection

Date: _____

5. Target Date of Publication: _____

B. REQUIREMENTS

1. General Supply Description *Note: Proposed technology must be consistent with supply requirements.*

1.1 Purpose of Procurement

- Regulating Reserve (RR) Requirements
- Contingency Reserve (CR) Requirements
- Dispatchable Reserve (DR) Requirements
- Reactive Power Support (RPS) Requirements
- Black Start (BS)
- Back-up Reserve (also check appropriate box above if for RR, CR, DR)
 - Outage or Deration of Firm Contracted Capacities
 - Emergency Reserve Requirement

1.2 Supply Profile

- Peak Only (from 0901H to 2100H)
- Off-peak Only (from 2101H to 0900H)

Note: Checking both peak and off-peak means an All-Hour Supply Profile

2. Terms of Supply Services:

2.1 Contract Capacity: ____ MW (specify per quarter)

Year	Jan	-	-	Dec
1				
...				

n = # of yrs				
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Contract Capacity (for RPS only): ___MVar; Location: _____

2.2 Inclusive Dates: From _____ To _____ (max of 5 years)

Note: No forward contracting of AS Requirement beyond 5 years, reconciled from the time the TOR is published.

2.3 Conditions Precedent to participate in the CSP:

- For existing power plants, commitment to secure at least 4 months before the start of target delivery.
- Commitment to secure AS Certificate, within 6 months after COD, and at least 4 months before the start of target delivery. This is for new plants participating in a CSP conducted to fulfill future AS Requirement. Failure to provide the AS Certificate within prescribed time shall allow SO to declare the supposed winning bidder as invalid and conduct another CSP for the unfulfilled AS Requirement.
- Ancillary Service tests to be conducted by either SO, Transco or Transco-Accredited 3rd Party AS Certification Providers.
- Technical Specifications (based on the relevant ASPP)
- Minimum size of an Ancillary Service Unit based on the frequency bias per grid
 - Luzon: 10 MW
 - Visayas: 5 MW
 - Mindanao: 5MW

Note: Minimum frequency bias per grid shall be reviewed on annual basis. An ancillary service unit may be a single generator or an aggregation of several ones to provide a specific AS requirement that passes the Ancillary Service Certification Test.

2.4 Conditions Precedent to Start of Supply (please check as applicable):

- ERC approval of the ASPA
- Valid AS Certificate
- PAO or COC. Indicated MW in the AS Certificate should not go above the Pmax as specified in the PAO or COC.

3. Cost and Tariff Structure.

3.1 The bid price or Full AS Payment (per quarter) shall be broken down into:

3.1.1 Capacity Payment Offer. The payment for the scheduled and undispached capacity, expressed in Php/kW-h.

3.1.2 Incidental Energy Payment Offer. The payment for the scheduled and dispatched capacity. The Bidder shall provide the detailed calculation of its payment offers including formula and references. For indexed cost/tariff structure, base indices should be three (3) months prior to the bid submission date. Indices to be used should be specified.

3.1.3 Bidder shall also specify a monthly rate cap for applicable fees incorporated in their offer as follows:

- Interconnection charges
- AS charges
- Wheeling charges
- Taxes (including VAT)

Bidder to indicate the equivalent Php/kW-h amount relating to these charges.

3.2 No Capacity Payment during outage of AS Provider.

3.3 AS Payments relating to intervals with AS dispatch shall be recovered primarily from the sale of incidental energy to the WESM. Any shortfall/excess from the proceeds from WESM sales shall be paid by/remitted to SO per immediate billing period.

3.4 In the case of Mindanao, and if WESM is not yet in place, Full AS Payment shall be paid directly by SO to the AS Provider on the due date.

4. Assessment of Bids

4.1 Assessment of bids) shall take into consideration Capacity Payment, Incidental Energy Payment and Other Charges. Particularly on the Incidental Energy, assumptions on utilization per AS type, reference indices (e.g. CPI, coal/oil if applicable) should be the same for all Bidders for a comparable bids evaluation. For purposes of evaluation, Bidders shall make use of the following load factor (LF) assumptions per reserve type:

Regulating Reserve (RR): 60%

Contingency Reserve (CR): 10%

Dispatchable Reserve (DR): 10%

Note: LF, in the provision of AS, is the AS Incidental Energy Dispatch over Capacity Scheduled.

4.2 Bids (Capacity Payment + Incidental Energy Payment + Other Charges) per Reserve Type per Delivery Period shall be stacked in ascending order, up to the required demand for the Delivery Period.

4.3 All winning bids shall be paid based on the respective Full AS Payment Offer.

5. Payment Modalities

5.1 Mode of Payment (check as applicable): Cash. Manager's Check. Others. Please specify. _____

5.2 Currency of Payment: **Philippine Peso**

5.3 Billing Period: Monthly

6. Outage Allowance

6.1 Allowed Scheduled Outage 30 days per year.

6.2 Allowed Forced Outage: 15 days per year.

6.3 Scheduled outages must be scheduled and declared twelve (12) months in advance, subject to prompt notice in case of changes required by the System Operator.

6.4 There will be no carry-over of any unutilized outage allowances from a calendar year on the succeeding years.

Note: Outage Allowance shall be prorated based on the equivalent firm number of hours of AS supply in a year.

7. Replacement Reserve Capacity

7.1 Plant Outage / Deratings Due to Plant or Fuel-Related Conditions

- a. For outages incurred by the AS provider within its allowance, it shall not be obliged, but at its option, be allowed to source replacement reserve.
- b. For outages incurred by the AS provider beyond its allowance, the AS provider shall procure replacement reserve, at no additional cost to the SO (i.e., the provider shall be paid at the contract rate), either from the Reserve Market or direct from other certified AS providers. When the AS provider is not able to provide a replacement reserve (due to unavailability of providers), then the provider shall pay SO an amount equivalent to its missed obligation at half its Capacity Payment. In no case shall the AS provider be allowed to renege on its obligation without first exhausting its options to secure replacement reserves.

8. Nominations and Dispatch of Ancillary Services

8.1 The AS Provider shall submit a binding Day-Ahead capacity nomination as basis for the scheduling and dispatch by the SO at prescribed intervals, with consideration of the Market Rules for Central Dispatching and on changes associated with the implementation of the Reserves Market.

8.2 As Firm AS Contract, AS Providers will be automatically scheduled by SO upon declaration of plant's availability and capability to supply the AS.

8.3 For Back-up Reserve, Back-up AS Providers shall nominate availability and SO to schedule the capacity on the indicated timeline of Back-Up Reserve Requirement as defined in Section 1.1 of this TOR.

9. Force Majeure

9.1 The events that shall be deemed as Force Majeure and analogous circumstances shall be in accordance with DOE CSP Policies.

9.2 Arrangements in case of any force majeure shall be agreed upon by parties and shall form part of the ASPA.

9.3 There will be no payment of Capacity Payment for such portion of the Contract Capacity and during such intervals affected by Force Majeure.

10. Grounds for Contract Termination

10.1 Valid grounds for termination are *(please check if applicable)*:

- Event of Default
- Expiration of Cooperation Period
- Mutual agreement by both parties
- Extended Force Majeure as agreed under the ASPA
- Change in circumstances as agreed under the ASPA
- Others, please specify. _____

11. Liquidated Damages

11.1 Liquidated Damages in case of default shall be equal to the present value of the Capacity Payment computed on a 365-day basis for the remaining term of the ASPA.

11.2 The discount rate to be used shall be *(please specify)*: 12%

12. Obligations of SO

12.1 SO shall provide assistance to the successful bidder in the processing of documents, applications and other activities in securing ERC approval. SO shall also assist in securing permits and similar requirements from all national agencies and local government units especially if the resulting ASPA involves the construction of a new power plant.

13. Bidder's Qualifications

13.1 All forms of business organizations including Joint Ventures are encouraged to participate in the bidding process subject to applicable government licenses and permits

13.2 The capacity offer of the bidder must be compliant with all the ownership limitations prescribed under EPIRA.

13.3 For new power suppliers, the qualification shall be based on: (i) the experience and competence of its proposed personnel to manage and operate the plant; and, (ii) acceptability of its proposed operational management plan.