



## **Second Bid Requirements for Contract Capacity of 1,200 MW (net), COD 2024**

### **Qualifying to Bid**

In order to qualify to bid, a Bidder must timely submit to the TPBAC–Secretariat receiving office three (3) separate sealed envelopes, placed in a sealed box, containing its (a) Qualification Documents (Envelope 1) to demonstrate its compliance with all the Legal Qualification Requirements, Technical Qualification Requirements and Financial Qualification Requirements (“**Qualification Requirements**”); (b) Technical Proposal (Envelope 2); and (c) Bid, including the Bid Security, (Envelope 3). An Interested Bidder shall submit a Bid price containing its Headline Rate (Proposed Price using 2020 indices and prices) and its Levelized Cost of Electricity (LCOE) (the “**Bid Offer**”).

If Bidder formed a partnership or consortium for the purpose of participating in this bidding, aside from submission of an agreement showing that liability in this Bidding and the resulting Power Supply Agreement shall be solidary for the parties thereto, each party to the partnership or consortium must submit separately the Qualification Documents (Envelope 1) and Technical Proposal (Envelope 2) (e.g. especially if different Nominated Power Plants for each partner/consortium member), but shall submit (as one and) only one Bid, including the Bid Security, (Envelope 3), at the Bid Submission Deadline. For this purpose, in relation to the Qualification Documents and Technical Proposal, each party to a Bidder partnership or consortium shall be construed as the “**Bidder**”.

The Bidder must identify the proposed power plant/s, which must be capable of supplying the Offered Contract Capacity to Meralco for the Required Contract Period beginning on the Scheduled Commercial Operations Date (“**Nominated Power Plant**”). To reiterate, the Nominated Power Plant/s shall be with one Delivery Point (for purposes of settlement and transfer of risk and loss) within the Luzon Grid, nearest to Meralco’s load center, and subject to Meralco’s approval.

### **Pay-as-Bid Mechanism**

This Bidding process will be “Pay-as-Bid” type of bidding. Under the “Pay-as-Bid” mechanism, the TPBAC shall stack all Bid Offers of Interested Bidders from the lowest to highest Proposed Price using LCOE until the total Contract Capacity required has been filled up.

If the Qualified Bidders' total offered capacity go beyond the required Contract Capacity (i.e. more than 1,200 MW), the Qualified Bidder that fills up the last stack (hereinafter referred to as the "**Marginal Bid Offer**") shall have its Offered Contract Capacity reduced accordingly up to the extent of the required Contract Capacity, at its Proposed Price or Marginal Bid Offer Price (if it submitted such in its Bid). For this purpose, in addition to its Bid Offer, an Interested Bidder may submit in its Bid a separate price containing its Headline Rate (Proposed Price using 2020 indices and prices) and its LCOE should its Bid be declared a Marginal Bid Offer and its Offered Contract Capacity needs to be reduced (the "**Marginal Bid Offer Price**"). For clarity, the Marginal Bid Offer Price should still be equal to or lower than the Reserve Price.

If the Qualified Bidders' total offered capacity falls below the required Contract Capacity after the Expression of Interest Deadline; opening of Technical Proposals (Envelope 2); and/or opening of the Bids, the Bidding process will continue.

### **Qualification Documents (Envelope 1)**

#### **1. Legal Qualification Requirements**

(a) The Bidder must have the authority, in form and substance prescribed and made available by Meralco, to participate in this Bidding and execute the Power Supply Agreement;

(b) The Bidder must be a duly incorporated, validly existing domestic partnership or corporation duly registered with the Securities and Exchange Commission ("**SEC**"). If Bidder formed a partnership or consortium for the purpose of participating in this bidding, it must be evidenced by an agreement showing that their rights and obligations, including liabilities in this Bidding and the resulting Power Supply Agreement are solidary;

(c) The Bidder and any of its Affiliates engaged in power generation must have no record of Unsatisfactory Performance. For this purpose, "**Unsatisfactory Performance**" means any of the following:

- (i) in relation to any project or contract that was commenced or in the process of implementation within the last five (5) years prior to the Bid Submission Deadline (as defined below) by the Bidder
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  - (1) the failure by the Bidder to satisfactorily perform any of its material obligations for such project or contract, as evidenced by the imposition of a judicial pronouncement or arbitration award;
  - (2) the expulsion of the Bidder from any such project or contract;
  - (3) the termination or suspension of any such project or

contract due to the Bidder's willful breach of its obligations; or

- (4) material violation of laws and/or regulations by the Bidder applicable to any such projects or contracts, including but not limited to environmental, health, safety, labor and social welfare laws and regulations, as evidenced by findings of the relevant competent authority; or

- (ii) Inclusion in a blacklist issued by any governmental agency of the Philippines or in the Debarred and Cross-Debarred Firms & Individuals list posted in the World Bank website ([www.worldbank.org/debarr](http://www.worldbank.org/debarr)), whether as an individual contractor, partnership or corporation or as a member of a joint venture or consortium.

(d) The Bidder and any of its Affiliates engaged in power generation must not have an Outstanding Dispute or pending/outstanding due and/or demandable financial obligation/s with Meralco. For this purpose, "**Outstanding Dispute**" refers to any pending judicial, administrative, contractual or alternative dispute resolution proceeding between the Bidder or any of its Affiliates engaged in power generation, on one hand, and Meralco, on the other, provided that the following pending judicial or administrative cases involving the Bidder or any of its Affiliates and Meralco are excluded from the definition of Outstanding Dispute:

| Case Title and Docket Nos.                                                                                                              | Subject Matter                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Bayan Muna, et. al. v. Energy Regulatory Commission (ERC), et. al.</i><br>(G.R. Nos. 210245, 210255 & 210502)                        | Supreme Court T.R.O. on MERALCO's December 2013 billing rate increase in relation to the generation cost price spike in November 2013 and December 2013 |
| <i>SN Aboitiz-Magat, et. al. v. ERC, et. al.</i><br>(G.R. No. 246641-50, 246729, 246739-48, 246685-94, 246873-82, 246661-70, 246631-40) | Supreme Court – Legality of ERC Order voiding the Luzon WESM prices during the November and December 2013 supply months                                 |
| <i>ERC I.U. v. Meralco and TMO</i><br>(ERC Case No. 2015-025 MC)                                                                        | ERC Investigating Unit complaint in relation to the generation cost price spike in November 2013 and December 2013                                      |
| <i>Meralco v. SPPC, et. al.</i><br>(ERC Case No. 2013-077 MC)                                                                           | Petition for Dispute Resolution with the ERC in relation to the refund of the 2.98% transmission line losses                                            |

(e) The Bidder must be authorized under its articles of incorporation, constitutive or charter documents, or its equivalent, to engage in the business of power generation and supply of electricity as contemplated under the Power Supply Agreement; and

(f) The Bidder must issue a notarized certification that the offered Contract Capacity from the Nominated Power Plant, for the entire Required Contract Period, is not covered by any offtake agreement (e.g., a power supply agreement or ancillary services procurement agreement). However, if covered by an offtake agreement subject of an application for approval pending before the Energy Regulatory Commission (ERC), such application shall have been withdrawn and the relevant offtake agreement has been terminated as of Bid Submission Deadline.

## 2. Technical Qualification Requirements

(a) The Bidder, whether directly or through any of its direct shareholders representing Controlling interest, Affiliates or Ultimate Parent, must have a Reference Plant, whether in the Philippines or elsewhere. For this purpose, a **Reference Plant** means a single power plant (baseload, firm, and dispatchable) of at least 150 MW installed capacity and which, in the reasonable opinion of the TPBAC, has been satisfactorily developed, or constructed, or operated, or maintained by the Bidder, its direct shareholders representing Controlling interest, Affiliates or Ultimate Parent.

Should the Bidder be composed of entities under an unincorporated joint venture or a partnership, each entity or party must provide a separate Reference Plant, as described above.

An **Affiliate** means with respect to a specified entity, an entity that directly or indirectly, through one or more intermediaries, Controls (e.g. parent or grandparent company), is Controlled by (e.g. subsidiary) or is under common control (e.g. sister company) with the specified entity.

**Control** means: (a) the ownership (whether directly or indirectly) of more than fifty percent (>50%) of the total issued voting share capital or other voting interest of that company or corporation; or (b) the ability to unilaterally appoint a majority of the board directors or equivalent body of that company or corporation through the ownership of securities with voting power or otherwise, without the need of the vote or approval of another; or (c) the ability to otherwise unilaterally direct the business affairs and/or operations of that company or corporation, without the need of the vote or approval of another.

The terms Controls, Controlled and Controlling shall have correlative meanings. For the avoidance of doubt, if a corporation is owned by two (2) shareholders at exactly fifty percent (50%) each, that corporation shall not be considered under the control of each shareholder;

(b) The Bidder must provide evidence that the Reference Plant is capable of generation of electricity of at least 150 MW, which (i) in case of a Reference Plant located in the Philippines, may be supported by any official document submitted to, or issued by, the ERC, DOE, Philippine Electricity Market

Corporation, or Independent Electricity Market Operator of the Philippines or  
(ii) in case of a Reference Plant located outside the Philippines, any equivalent or similar document;

(c) The Bidder must provide the Reference Plant's general information and its key components (e.g., boiler, turbine and generator), such as the design (e.g., type, including specific fuel, number of units, and capacity), and plant site/s, and interconnection site/s;

(d) The Reference Plant, if located in the Philippines, must be covered by a Certificate of Compliance (COC) from the ERC. If the COC is not available as of Bid Submission Deadline, the Bidder must submit an application for a COC pending before the ERC or any other official document coming from the ERC confirming the Reference Plant's authority to operate at least 150 MW. If the Reference Plant is located in Luzon or Visayas, it must be registered as a direct member of the WESM. If the Reference Plant is located outside of the Philippines, it must have the license or permit equivalent to the ERC's COC, or the alternative documents; and

(e) The Reference Plant, if located in the Philippines, must be covered by a valid Transmission Service Agreement duly certified by the National Grid Corporation of the Philippines (NGCP), and Fuel Supply Plan or Agreement, or the equivalent thereof if in a foreign country.

### **3. Financial Qualification Requirements**

(a) The Bidder must show satisfactory evidence that it has the financial capacity to fulfill its obligations with Meralco. This requirement may be complied with by the Bidder directly or through any of its direct shareholders representing Controlling interest, Affiliates or Ultimate Parent. As evidence thereof, the Bidder or any of its direct shareholders representing Controlling interest, Affiliates or Ultimate Parent, or in case of an unincorporated joint venture or a partnership, each entity or party thereto, must:

- (i) submit its audited (parent and consolidated, if applicable) financial statements for the last three (3) years (the latest of which must not be earlier than for the year ending December 31, 2018) and recent quarterly financial statements; and
- (ii) the consolidated financial statements must show an Unrestricted Net Worth of at least 30% of the Project Cost (defined below) ("**Required Unrestricted Net Worth**") based on its submitted financial statements.

"**Unrestricted Net Worth**" means the sum of subscribed and paid up equity, including additional paid-in capital, and unrestricted retained earnings, preferred shares, perpetual shares less treasury shares of common, preferred, and perpetual

shares. Unrestricted retained earnings means the amount of accumulated profits and gains realized out of the normal and continuous operations of the company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (1) not appropriated by its Board of Directors for corporate expansion projects or programs; (2) not covered by a restriction for dividend declaration under a loan agreement; (3) not required to be retained under special circumstances obtaining in the corporation such as when there is a need for a special reserve for probable contingences (as defined in SEC Memorandum Circular No. 11-08 dated December 5, 2008); and (4) not otherwise covered by any other legal restriction (which refers to any injunction, judgement, or order issued by any judicial authority) on the ability of the company to distribute or otherwise apply its equity.

(b) With respect to the Nominated Power Plant, the Bidder must provide the details of the costs of the project (the "**Project Cost**") and its proposed financing plan, specifically indicating the portion of the Project Cost to be financed by debt and by equity. Additionally, the Bidder must submit (1) in support of the portion of the Project Cost proposed to be financed by equity, a notarized letter from its shareholders confirming their respective equity commitment (each, a "**Commitment Letter**"); and (2) in support of the portion of the Project Cost proposed to be financed by debt, a Testimonial from one or more debt providers or arrangers, for the amount of the Project Cost that will be funded through debt to be obtained either by the Bidder directly or through any of its direct shareholders representing Controlling interest, Affiliates or Ultimate Parent, if applicable (each, a "**Testimonial**"). The aggregate amounts indicated in the Commitment Letters and/or the Bank Letter Testimonial shall in no case be less than the Project Cost.

### **Technical Proposal (Envelope 2)**

In relation to the Nominated Power Plant and/or portfolio of plant/s, the Bidder must provide (for each Plant):

- (a) Evidence of land acquisition or legal possession of the proposed site/s, showing that Bidder will be able to acquire ownership or legal possession of the right, title or interest therein;
- (b) Technical characteristics of the Plant showing evidence of compliance to the technical requirements stated in the Invitation to Bid's Terms of Reference Table ("**TOR Table**");
- (c) The Bidder shall provide a description, for the Nominated Power Plant, of its use of a technology that complies with the prevailing emission standards under pertinent DENR issuances on emission and other environmental standards for power plants. The Bidder shall provide convincing proof that the key

components of the Nominated Power Plant (e.g., boiler, turbine and generator) be of proven design and technology, which means that generating facility elements of similar design must have been engaged in reliable commercial operation for at least one (1) year in a 60 Hertz system ("**Comparable Plant**"). The Comparable Plant will be considered to have been in "reliable" commercial operation for the purposes of this requirement once the TPBAC's independent engineer determines and certifies that the equipment proposed has an average forced outage factor that has not been above five percent (5%) and its average Unit equivalent availability factor has not been below eighty seven percent (87%) for the duration of the commercial operation period except in a year of a major planned overhaul;

- (d) Details of the Project's execution, where the Bidder shall provide a description on how it will carry out the development, financing, construction, interconnection, operation, and maintenance of the Nominated Power Plant, including but not limited to general information on the Nominated Power Plant and its key components (e.g., boiler, turbine and generator), such as the design data (e.g., type, including specific fuel, heat rate at 100% Load Factor, number of units, and capacity), proposed plant site/s, and proposed interconnection site/s; the key project milestone schedule, if available; and the details on the development, engineering, procurement and construction plan of the Nominated Power Plant;
- (e) The Bidder shall submit a certified statement that the Nominated Power Plant is capable of operating consistent with the Performance Guarantees;
- (f) The Bidder shall provide the fuel price forecasts, in USD/MMBtu, and freight cost forecasts, in USD/MMBtu, for Contract Years 1 to 10, which shall be binding upon the Bidder, provided that under the PSA, the fuel price and freight cost shall be the lower between the forecast and the actual. For Contract Years 11 to 20, the fuel and freight cost shall be a pass-through cost.

For purposes of evaluation of this Bidding, the ten-year (i.e. Contract Years 1 to 10) simple average of the forecasted fuel price and freight cost shall be used for Contract Years 11 to 20;

- (g) The Bidder shall also provide the fuel price forecast, in USD/MMBtu, and freight cost forecast, in USD/MMBtu, for 2020 that will be used in computing the Bidder's Headline Rate (Proposed Price using 2020 indices and prices);
- (h) The Bidder shall provide the Guaranteed Net Plant Heat Rate (GNPHR), in Btu/kWh at HHV (if coal) or in Btu/kWh at GCV (if natural gas). Such GNPHR shall be from 40% to 100% Load Factor and in increments of 1% Load Factor for Contract Year 1. The Independent Engineer shall assess and determine if the provided GNPHR can comply with the prevailing emission standards under pertinent DENR issuances on emission and other environmental standards for power plants;

- (i) Bidder shall also provide the specifications of the Performance Fuel by way of a Proximate Analysis and Ultimate Analysis. The Performance Fuel shall be used for the conduct of the Net Dependable Capacity (NDC) Test and the Heat Rate Test (HRT) in accordance with the PSA;
- (j) If the Nominated Power Plant will use a fuel source other than coal or gas, the equivalent technical parameters must be provided by the Bidder for evaluation of the TPBAC;
- (k) The Fuel Supply Plan or Agreement, containing a narrative description of strategies and plans for ensuring long-term availability of fuel and regulatory compliance on fuel inventory and specification. Bidders shall ensure that it shall procure its fuel, following a competitive selection process to be promulgated pursuant to the PSA;
- (l) The Environmental Compliance Certificate (ECC) issued by the Department of Environment and Natural Resources (DENR); or an application for ECC pending before the DENR, provided, if the Bidder's Bid is declared as the Best Bid (and issued a Notice of Award), a certified true copy of the ECC issued by the DENR must be submitted as required by the ERC;
- (m) The Grid Impact Study (GIS) / System Impact Study (SIS), whichever is applicable, issued by NGCP; or an application for GIS/SIS pending before the NGCP, provided a certified true copy of the GIS/SIS must be submitted during Post-Qualification if the Bidder's Bid is declared as the Best Bid;
- (n) A Certificate of Registration issued by the Board of Investments (BOI), if applicable; and
- (o) A Project Feasibility Study.

### **Bid and Bid Security (Envelope 3)**

- (a) Using the relevant forms prescribed in the IPB, the Bidder must submit its Bid Letter, Bid Security (as defined below), Proposed Price (in hard copy form and in the **Financial Evaluation Workbook** encoded in a CD-R/DVD-R optical storage device or a USB/thumb flash memory drive), and a signed Letter of Acknowledgement and Acceptance of the Power Supply Agreement template (collectively referred to as the "**Bid**"); and
- (b) The Bid Security should be in the form of an irrevocable standby letter of credit equivalent to One Billion and Eight Hundred Twenty-Five Million Pesos (PhP1,825,000,000.00) per block of Offered Contract Capacity, which must be issued by an Allowed Bank listed in the IPB and in the form required of the Bidders in the IPB (the "**Bid Security**").