



BIDDING
CONTRACT CAPACITY OF 850 MW (NET), COD 2026

BID BULLETIN NO. 3

To all Interested Bidders:

1. We are releasing through your respective cloud-based online folder containing the Bidding Documents the Financial Evaluation Workbook so that you may study and review the same.
2. A matrix containing the set of queries during the open forum of the Pre-Bid Conference held last 4 February 2022 and the corresponding responses of Meralco's Third Party Bids and Awards Committee ("TPBAC") is set out in **ANNEX A**.

For your guidance and information.

Issued on 14 February 2022.

Third Party Bids and Awards Committee ("TPBAC")
Manila Electric Company

(sgd)

Atty. Ferdinand A. Domingo
Chairman

COMPETITIVE SELECTION PROCESS (CSP) FOR CONTRACT CAPACITY OF 850 MW (NET), COD 2026

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1.		(Pre-Bid Conference Open Forum) Definition of New Technology under the Revised CSP Rules		<p>In Sec 8.B of the DOE Department Circular No. DC 2021-09-0030 (the “Revised CSP Rules”), it states that alternative methods of procurement may be resulted to exclusively for New Technology as defined in this Circular.</p> <p>The definition of New Technology refers to a technology that is novel or a novel use or arrangement of existing technology that has not yet been commercially operating or applied in the country upon effectivity of the Circular. Such technology, whether in whole or in part, is compliant to international to international test standards in the power generation industry.</p> <p>First Question: How does this bid satisfy the definition of New Technology?</p> <p>Follow-up: Just on the new technology, the response was basically based on the independent study done that there is no existing power plant, is my understanding correct?</p> <p>The DC did not make a clear mention on commercial operations. We would like to be enlightened on how it has been determined because it is in our information that in October 2018, a Solar+BESS was built in the town of Palawan, Oriental Mindoro, it was 2MW of Solar Panels, 2MW of BESS. And this plant is in a bilateral contract</p>	<p>Under the Revised CSP Rules, Sec. 3.32 ‘New Technology’ refers to a:</p> <ul style="list-style-type: none">a. Technology that is novel or a novel use or arrangement of existing technology;b. The said novel or a novel use or arrangement of existing technology has not been commercially operating or applied* in the country upon effectivity of the Revised CSP Rules; andc. Such technology, whether in whole or in part, is compliant to international test standards in the power generation industry. <p>*TPBAC’s criteria used for determining “not been commercially operating or applied” are:</p> <ul style="list-style-type: none">i. At the time of USP submission by the proponent, it is not connected in the Luzon, Visayas or Mindanao grid in a commercial scale**; andii. with the same supply type or mode of operation as the Proponent’s offered power plant. <p>** By production on a “commercial scale” is meant the production for sale in the market (i.e. WESM) in the normal course of business, in quantities and at prices which justify the operation of an industrial unit as a going concern and with a reasonable degree of permanency.¹</p> <p>Based on the foregoing, during the conduct of the USP’s detailed evaluation, the TPBAC, assisted by its TWG, reviewed the DOE’s list of existing power plants as of December 2020, DOE’s list of awarded solar projects as of March 2021, DOE’s list of generation companies issued with DOE Certificate of Endorsement to the ERC</p>

¹ Note: In any event, by analogy, under Executive Order No. 341, a new industry refers to an industrial unit the production or manufacture of its products has not been undertaken on a commercial scale in the Philippines subsequent to a date specified in the said law. For purposes of the said definition, the said EO defined “commercial scale” as the production for sale in the market in the normal course of business, in quantities and at prices which justify the operation of an industrial unit as a going concern and with reasonable degree of permanency. In a 1981 Rules and Regulations to Implement the Omnibus Investment Code, “commercial scale” is determined by the Board of Investments upon consideration of relevant factors such as profitability or viability, the degree of utilization of productive capacity, and the extent of supply and demand for the product in question.

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				<p>with the electric cooperative of Oriental Mindoro. The findings and experience of this plant was recorded during the Senate Proceedings in the application of one of the members of the consortium that was recorded during the senate hearing. So we would like to be enlightened on how this commercial operations was defined, because it did not, as I was reading the DC, it has no clear definition on that. But this case has been particularly recorded and has been announced to the public. There's another plant in Palawan, solar plant, less than a MW, but this is also a Solar + battery. We would like to be enlightened on how this new technology definition was vetted by the DOE and the IE.</p> <p>What is the utility scale definition used by TPBAC on this respect? May we be clarified?</p> <p>There is a basis for the 10MW and connected to the grid for the commercial? Can we be furnished information on that, that that was the basis of the TPBAC in defining that this is indeed not existing in the commercial setting?</p>	<p>as of October 2021, and IEMOP's list of WESM participants as of November 2021 and found that there is no existing similar technology or arrangement (solar + BESS running at 50% PCF) that has been commercially operating or applied in the Philippines as of 29 October 2021, which is the date of the effectivity of the Revised CSP Rules.</p> <p>Considering the foregoing and based on proponent's submissions and publicly available information, the TPBAC finds that Terra Solar's 850 MW USP offers a novel use or arrangement of solar PV power plant that is supported by a battery energy storage system (BESS) running at 50% Plant Capacity Factor (PCF), and such novel use or arrangement has not yet been commercially operating or applied in the Philippines as of 29 October 2021.</p> <p>Such finding was supported by the TPBAC's Independent Engineer, Owl Energy Consultants Ltd. which certified that while there are multiple solar projects already operational in the Philippines and there are multiple BESS projects that are either already operational or about to enter operation in the Philippines, there are no operational plants in the Philippines that combine both solar and BESS and as all of the solar projects are standalone, the inherent intermittent irradiance limitations of solar mean that they cannot be mid-merit and dependable. This further strengthens that the novel or novel use criteria has been met.</p> <p>Finally, based on the proponent's submitted Technical Proposal with a Feasibility Study certified by an internationally known reputable engineering firm, the proponent's offered technology (i.e., Solar PV + BESS at 50% PCF) complies with international test standards in the power generation industry.</p> <p>While the TPBAC's TWG also saw the Sabang Renewable Energy project in Puerto Princesa, Palawan (1.4MWp solar with 2.3MWh battery and 1.2MW diesel generators for a microgrid system) and the Solar Philippines project in Paluan, Occidental Mindoro (2MW solar with 2MWh battery and 2MW diesel backup for a microgrid system) in the lists of solar projects that it reviewed and it noted that the while said projects appear to use Solar PV + BESS in combination, the said projects are being used off-grid</p>

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					<p>and, <u>because the said plants include a diesel-fueled generating unit in its arrangement/combination, these are not comparable to the Proponent's offered power plant.</u></p> <p>Thus, the existing plant cited is an existing Solar with BESS plant that has a diesel-fueled component, unlike the Original Proponent's offered power plant.</p> <p>Thus, based on the foregoing, when the DOE affirmed the TOR for this CSP, the DOE stated that "the requirement set forth under the 2021 CSP Policy for USP to be accepted is present in this case as New Technology."</p>
2.		(Pre-Bid Conference Open Forum)		<p>Given this is a new technology, under what you have defined it to be, under Section 3.1.4a and 3.2 of the Bid Documents, the OP is required to submit a reference and comparable plant. And the definition of the reference plant is a single power plant of at least 50MW installed capacity, and has attained a simple monthly average of at least 50% PCF over a 3 month consecutive period whether operating in the Philippines or elsewhere. Two questions:</p> <p>1. In the past CSP rules of Meralco, the comparable plant is of the same size of the proposed plant. May we be enlightened why only 50MW was deemed as a reference plant, considering this is a new technology?</p> <p>If this is a new technology, isn't it contradictory, because normally, in other CSPs, the comparable plant is of the same size. Shouldn't the comparable plant be closer to 2,500MW plant or 850MW with the 50% PCF?</p> <p>Since this is a new technology, we would like to get some indication of how the structure of the OP proposal was reviewed by Meralco and the DOE. Because this is a new technology, isn't it too risky that your comparable plant is</p>	<p>1. The premise of the question is incorrect. The previous CSPs conducted by the TPBAC has never required that the Reference Plant or Comparable Plant be of the same size as the bidder's Nominated Power Plant.</p> <p>The question's premise must also distinguish between a Reference Plant and Comparable Plant. To clarify, a Reference Plant is a technical qualification requirement (part of the set of Qualification Documents contained in Envelope 1) to evaluate the technical know-how and ability of a bidder to develop, construct, and/or operate or maintain a reasonably sized plant for similar type of operation. <u>To reiterate, the TPBAC has never required in previous CSPs that the Reference Plant be of the same size as the bidder's Nominated Power Plant. A Comparable Plant</u> is a supporting requirement for a bidder's Technical Proposal (Envelope 2) in order for the TPBAC to assess the Nominated Power Plant's technical feasibility and performance based on proven design and technology. <u>Again, the TPBAC has never required in previous CSPs that the Comparable Plant have the same exact size and</u></p>

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				<p>not comparable, and that you are bidding a 2,500MW plant size or an 850MW with the mid-merit 50% PCF?</p> <p>So you're only looking at comparable plants of 50MW, is my understanding correct?</p> <p>Why is it 50MW and not bigger?</p> <p>But this is solar + battery, so it cannot be comparable.</p>	<p><u>brand as the bidder's Nominated Power Plant</u> for as long as the overall plant technology of both the Comparable Plant and Nominated Plant are the same and the Comparable Plant is of reasonable size to assess its technical feasibility and performance as proven design and technology.</p> <p>For Terra Solar's 850 MW USP, it was able to submit a Comparable Plant of at least 50 MW in size and submit a certification from a reputable and capable international firm of engineers that the said Comparable Plant has been engaged in reliable commercial operation for at least one (1) year in a 60 Hertz system.</p> <p>The 50 MW size requirement of the Reference Plant (in page 10, Bid Requirements) and the Comparable Plant (in page 15, Bid Requirements) was set in recognition that this CSP is for Renewable Energy (RE) Contract Capacity requirement of Meralco mainly to address its compliance to the Renewable Portfolio Standards (RPS). As such, it is expected that the participating bidders will mostly be RE developers, particularly solar power developers, hence, considering that the common average of the largest solar power plants in the Philippines is around 50 MW (AC,net) size.</p> <p>Also, based on its research and detailed evaluation, the TPBAC finds the 50 MW (AC,net) size as reasonable enough to mimic a mid-merit power plant and still allow more bidders, particularly RE developers, to join in this CSP via Competitive Challenge.</p> <p>In addition, the TPBAC's Independent Engineer explained that the solar PV and BESS are both modular technologies, where scaling up is relatively straightforward, thus the scalability of the plant does not pose risks other than the usual risks of other generation technologies.</p> <p>Therefore, the TPBAC's evaluation of the Reference Plant and Comparable Plant is not contradictory of its finding Terra Solar's USP as a New Technology. Otherwise, had the TPBAC set the size requirement of the Reference Plant or Comparable</p>

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				<p>2. On the Bid Documents, Section 3.1.3, the bidders are required to submit a notarized certification of absence of unsatisfactory performance record and outstanding dispute or unsettled dispute. I understand that this is Meralco’s way of increasing their confidence of the track record of the bidders, which is I think understandable for Meralco. But having said this, the execution of a 2.5 GW Solar and a 4 GW battery project is very challenging considering we have classified it as a new technology. Does the OP have a good track record or capability to deliver with Meralco knowing that a key consortium member of TSPI has several contracts with Meralco that failed to perform satisfactorily in the delivery of projects. Can we be clarified on that?</p> <p>Do I take it that this provision has been leniently applied to the OP?</p> <p>This is just a clarification because this is in the Bid Rules. We just want to clarify it.</p>	<p>Plant at 850 MW (similar to the Nominated Power Plant), there would be very few (if not none) RE developers/bidders that could join in this CSP via Competitive Challenge.</p> <p>After conducting a detailed evaluation of the Qualification Documents and Technical Proposal of the Original Proponent, Terra Solar Philippines, Inc., the TPBAC found that all the prescribed Bid Requirements were duly met, which are the same Bid Requirements being presently required to be met or complied by the bidders in this CSP via Competitive Challenge.</p> <p>2. The TPBAC takes exception on such allegations posed in this question. The TPBAC conducted a detailed evaluation of the Qualification Documents and Technical Proposal of the Original Proponent, Terra Solar Philippines, Inc., and found all the prescribed Bid Requirements were duly met, which are the same Bid Requirements being presently required to be met or complied by the bidders in this CSP via Competitive Challenge.</p> <p>3. At the outset, it must be emphasized that this is the first Meralco CSP, albeit the Alternative Mode of Procurement</p>

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				<p>3. On Meralco's modality in previous CSP, the modality is stacking of bidders, it allowed several bidders to participate in a large scale power supply contracting. Can we have clarity why this historical practice was significantly altered in this particular case?</p> <p>So it was the DOE's decision? Am I hearing it right? DOE concurred with the proposal?</p> <p>Are you at liberty to provide an explanation why the modality has shifted knowing that historically Meralco has done a stacking modality?</p>	<p>allowed under the Revised CSP Rules, being conducted by Meralco specifically to address its future RPS requirements (i.e. only eligible Renewable Energy facilities are allowed to join).</p> <p>The TOR requirement subjecting the full contract capacity of 850 MW to CSP via Competitive Challenge stemmed from the USP of the OP, Terra Solar, which was discussed and negotiated upon during the TPBAC's detailed evaluation of the USP. Since this is an Alternative Mode of Procurement (USP/Competitive Challenge) under the Revised CSP Rules, the TPBAC was aware in its discussion with Terra Solar (during the detailed evaluation of the USP) that Terra Solar's USP offer, which includes the price offer, will only be retained if its offer to supply RE 850 MW is subjected to CSP via Competitive Challenge as such – for the full contract capacity.</p> <p>In recognition of promoting New Technology and critically needed new capacity to the Grid, the TPBAC accepted such proposal and recommended such TOR requirement to the DU Board of Directors for affirmation and subject to the DOE's review.</p> <p>When the DOE affirmed the TOR for this CSP, the DOE did not raise as a concern the TOR requirement that the CSP via Competitive Challenge is for the full contract capacity.</p>
3.		(Pre-Bid Conference Open Forum)		<p>On the pricing, as I read in the proposal, the components for CRF, VOM, LR, and AS. On the structure, I think the proposal is in Php/kw year, technically it's capacity based. It is also mentioned that the evaluation of LCOE will be done at 50% PCF. Can I confirm that?</p> <p>Further to that, is the challenger open to offer any structure? Like for the CRF, not necessarily Php/kw year? Can a challenger offer a fixed energy rate?</p>	<p>Yes, we confirm the understanding is correct.</p> <p>The TOR explicitly states that the CRF should be fixed throughout the term (i.e. non-escalating) and should be in Peso denomination (i.e. not subject to Forex adjustment).</p>

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				<p>It is not clear in the terms that a challenger cannot propose a CRF that is in a different structure. It should also be in Php/kw year. Either capacity based or energy based.</p> <p>In the VOM, there's only a mention of the level, but I did not recall hearing if it can be subject to adjustment? Or it's also required to be fixed during the duration of the term?</p> <p>Will there be an evaluation workbook to be provided to the challenger where we can input all the 20 year pricing on a yearly basis?</p> <p>Regarding CRF, if it is Php/kw year and it's capacity based, in the actual implementation, that will be highly affected on how since there's no MEOT, that means Meralco can utilize the contract capacity anywhere, within and beyond the 50% PCF under the evaluation. If it's below 50%, most likely the resulting actual price will be higher.</p> <p>Would it be better for Meralco, if the challenger proposes a fixed Php/kWh CRF, as I think most possibly, this will be used, much higher than 50%, but normally 50% or lesser, of the PCF or load factor. But anyway, it was clearly mentioned that it requires a same structure.</p>	<p>CRF offered by challenger should also be in Php/kW-year only. Changing it to a different structure would make the structure of the PSA different from the OP's proposal.</p> <p>For the VOM, and this will be shown in the FEW, the bidder can actually nominate any value for each year, as long as it is in Php/kWh. It is up to the bidder if the VOM rate will be escalating over the given contract period or it will be a flat rate. As long as it is in Php/kWh, any rate in the VOM can be inputted for each year.</p> <p>Yes, the FEW will be the basis for the price challenge winner. It will show the inputs of the bidders and the resulting LCOE computation. There will be a FEW that will be given to the bidders/ challengers.</p> <p>Since the CRF is in Php/kW year, as long as the contract capacity is being guaranteed by the power supplier during the available hours, then Meralco has the prerogative on how it would dispatch the capacity, as long as it is within the available hours and it would contribute to the least cost mandate of the DU.</p> <p>CRF offered by challenger should also be in Php/kW-year only.</p>
4.		(Pre-Bid Conference Open Forum)		<p>With regard to the Php4,000,000 non-refundable protest fee, is there legal precedent for this?</p> <p>But this was also the first time that it was introduced?</p>	<p>The non-refundable protest fee is part of the Bid Documents' rules of previous CSPs conducted by Meralco since 2019, this is not the first time it was introduced.</p> <p>Section 11 of the Revised CSP Rules, amending Section 13.2 of the 2018 CSP Rules, states that: "xxx The verified position paper</p>

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					<p><u>must be accompanied by the payment of a non-refundable protest fee which shall be determined by the concerned TPBAC/TPA."</u></p> <p>For this particular CSP via Competitive Challenge, the Php 4,000,000 amount is a prorated amount that is similar to previous CSPs of Meralco vis-à-vis contract capacity being subjected to CSP. The protest fee amount is to account for necessary legal and other professional services that will be engaged by the DU and/or the TPBAC in the evaluation of the protest and related processes.</p>
5.		(Pre-Bid Conference Open Forum)		<p>Just for additional points, would there be a disclosure on the part of the OP with regards to the sites they have identified?</p> <p>In the Bid Documents, the bidder is required to submit an RESC. I just want to clarify if this is an oversight to require a service contract but the regime already requires an operating contract.</p> <p>If this is required of the bidder, is this equally required the same for the OP? That all the sites should be covered with the required service contract.</p>	<p>The evaluation of submission of all bidders, including the OP, are made by the TPBAC, assisted by the TWG, its external legal counsel, and Independent Engineer. The details of evaluation for a specific bidder are not disclosed to other bidders.</p> <p>After reviewing the DOE Circular No. DC2019-10-0013 (Omnibus Guidelines Governing the Award and Administration of Renewable Energy Contracts and the Registration of Renewable Energy Developers), the Technical Proposal's requirement of submitting the Renewable Energy Service Contract/s (RESC) for the Interested Bidder's Nominated Power Plant (p.16, Bid Requirements) shall refer to "Renewable Energy Contracts" in its general sense (and not delineated per RE resource), which is defined by the said DOE Circular as referring to "the service agreement between the Government, through the DOE, or the President, respectively, and an RE Developer over appropriate period as determined by the DOE which grants to the RE Developer the exclusive right to explore, develop, or utilize the RE Resource within a particular area. It is also called "Financial and Technical Assistance Agreement (FTAA)."</p> <p>Yes, all the Bid Requirements were applied to the proponent, as will be applied to all bidders in this CSP.</p>

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6.		(Pre-Bid Conference Open Forum)		<p>Can we request to identify what type of RE resource or plant is allowed for the challenger?</p> <p>The proposal of the OP is to put up 2,500 MW of solar + 4,000 MWh of battery capacity. We know solar is one of the qualified RE sources, just to clarify, since solar is highly dependent on the availability of sunlight, I think they've already factored that in to what they will put up. Let's extend it further, what if there's an instance that such available solar will not be available, how will that affect the commercial terms? is that considered a forced outage? A force majeure? How will that affect the supply to Meralco?</p> <p>So basically, it's still a guaranteed supply? The winning supplier should still comply with its commitment to provide the 850MW (net)</p>	<p>There is no specific type of RE resource or plant required for the challenger. For as long as it is considered as eligible RE under existing rules and regulations (e.g. Sec. 10, Rule 3 of DC2017-12-0015 [RPS Rules] defines what are Eligible RE Facilities for RPS compliance), then any type of RE technology can be used by the bidder to comply with the requirements of the TOR.</p> <p>Please note though that while the technology is not specified, the RE resource must be able to comply with the mid merit (firm and dispatchable) plant type requirement under the PSA. In addition, as specifically required by DOE, the Nominated Power Plant must be an Eligible RE Plant that is attributed corresponding RECs pursuant to existing rules and regulations.</p> <p>Mere unavailability of the sun is not considered as Force Majeure, based on Section 17.A of the PSA template which states that any event that may naturally affect the renewable energy source of the Plant shall not be considered as Force Majeure.</p> <p>We also refer you to the specific provisions under the PSA (e.g. Outage, FM) that would address the particular scenario.</p> <p>However, in general, please note that the consequence would depend on the circumstance. For instance, any event that may naturally affect the RE source of the Plant, such as but not limited to, cloud cover wind gusts, and typhoon not otherwise classified by the Philippine Atmospheric, Geophysical and Astronomical Services Administration as a public storm warning signal number three and/or a red rainfall warning, shall not be considered as an Event of FM.</p> <p>Yes, except in case of FM, the winning supplier's commitment under the PSA is 100% available Contract Capacity for certain hours. Please refer to the requirement as to the Guaranteed</p>

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					<p>Output in the TOR appearing in the Original Proponent’s Offer and Terms of Reference Table. In this regard, the minimum combined configuration of OP’s offer (including its Plant, as well as Plant in combination with other Eligible RE Power Plants) should be sufficient to meet the Guaranteed Output, as defined in the PSA.</p> <p>Please also take note that it is expressly provided in the TOR that there is no outage allowance under the PSA, hence, Replacement Power has to be procured by: (i) Power Supplier or Meralco, as applicable, pursuant to Section 3.3.3 or Section 3.3.4 prior to the Commercial Operations Date, and declared to the WESM as BCQ for Meralco when procured by Power Supplier, or (ii) Power Supplier from Eligible Renewable Energy Power Plants, during Outage of the Plant and pursuant to Section 17.3.1, or (iii) Meralco pursuant to Section 9.1.3 and Section 9.1.4.</p> <p>This is correct. Section 17.3.1 explicitly excuses the affected party from performance of its obligations for so long as failure to perform its obligations can be clearly attributed to an Event of Force Majeure as defined in the PSA. As such, the supplier shall be excused from providing Replacement Power. On the other hand, Meralco will not pay for the equivalent fixed fee or capacity payment.</p> <p>However, please note that under the same Section, Parties may still come to an agreement for the Power Supplier to make available the Contract Capacity and deliver the Associated Energy from Eligible Renewable Energy Power Plants, and Meralco shall pay Power Supplier at the Price.</p> <p>The bidder can offer that guarantee (i.e. commit to provide RP during FM events), subject to the provisions of the PSA, but it will not affect the evaluation of its LCOE (i.e. no assigned bonus points or lowering of computed offered LCOE)</p>
				<p>Part of the FM provision states that if the reason is excusable, if the supplier claims an FM event, one possibility is that Meralco would not pay the capacity not made available by the supplier. Is my understanding correct? Supplier is excused on events of FM or is it still required to provide replacement power, similarly, eligible RE?</p> <p>Since this is a challenge, what if a challenger would commit to provide replacement power even in FM events. That’s a complete guarantee of the contract capacity. How will the LCOE computation factor this in?</p>	