



INVITATION TO BID
CONTRACT CAPACITY OF 1,800 MW (NET), COD 2024-2025

Pursuant to the Department of Energy ("DOE") Circular No. DC2018-02-0003, Series of 2018, Manila Electric Company ("Meralco"), through the Third Party Bids and Awards Committee ("TPBAC"), hereby invites all interested and qualified parties (each, a "**Bidder**") to participate in the competitive bidding ("**Bidding**") in respect of the following proposed supply of electricity:

Terms of Reference Table ("TOR Table")

Contract Capacity	1,800 MW (net)
Bid Type	<ul style="list-style-type: none">• Pay-as-Bid• The minimum Offered Contract Capacity per Bidder shall be at least 150 MW (net).• A Bidder shall submit a Bid Price indicating its Headline Rate and Levelized Cost of Electricity ("LCOE").• If the Bidders' total Offered Contract Capacities go beyond the required Contract Capacity (i.e. more than 1,800 MW), the 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.
Bid Offer Evaluation	<ul style="list-style-type: none">• The Bidding will be open to all serious Bidders that meet the financial, technical, commercial, and legal requirements of this TOR. In evaluating the financial offers of the Bidders, the best interest of Meralco's captive customers shall be paramount. As such, and to this end, the principle of least cost in the supply of power to captive customers, as provided in Section 23 of EPIRA, shall prevail and be applied to establish and determine the Best Bid/s.• All Bid Prices shall be evaluated based on LCOE at 87.67% PCF.• The Bidder's Headline Rate and LCOE are subject to a pre-determined Reserve Price, which will only be revealed by the TPBAC to the Bidders during the Opening of Bid Prices.

Scheduled Commercial Operations Date ("<u>COD</u>")	<ul style="list-style-type: none"> • 1,200 MW (net) by December 2024, with option by Meralco to take available energy up to 1,200 MW (net), at Commissioning Energy Charge, starting December 2023. • Additional 600 MW (net) by May 2025, with option by Meralco to take available energy up to 600 MW (net), at Commissioning Energy Charge, starting May 2024. For clarity, the total Contract Capacity by May 2025 will be 1,800 MW (net).
Required Contract Period	Twenty (20) Contract Years from the Scheduled COD defined above (i.e. 20 Contract Years from December 2024 and May 2025, respectively)
Supply Type	<ul style="list-style-type: none"> • Baseload (firm and dispatchable) • Single or portfolio of plant/s, provided that the power plant/s should be in commercial operation not earlier than January 2020 but no later than May 2025.
Technical Parameters	<ul style="list-style-type: none"> • One Delivery Point (for purposes of settlement and transfer of risk and loss), which Delivery Point should be within the Luzon Grid, nearest to Meralco's load center, and subject to Meralco's approval. • If multiple units, minimum of 150 MW per unit, which shall have the same fuel type and Guaranteed Net Plant Heat Rate. • Bidder shall offer fuel using a technology that complies with the prevailing emission standards under pertinent DENR issuances on emission and other environmental standards for power plants. • No capacity and electrical output, to the extent of Contract Capacity, of the Plant shall be contracted under an agreement apart from the Power Supply Agreement ("<u>PSA</u>") resulting from this Bidding. • If Bidder forms a partnership or consortium for the purpose of this bidding, must be evidenced by an agreement showing that their liability in this Bidding and the resulting PSA is solidary.
Tariff Structure	<ul style="list-style-type: none"> • Two-part Tariff consisting of Fixed and Variable Costs (inclusive of separate line item proposal for Line Rental cap). • Capital Recovery Fee component of the Tariff should be fixed for the whole Required Contract Period and in Philippine currency. • No Take-or-Pay on Variable Costs, which includes Fuel and Variable O&M. • The fuel handling and freight costs should be included in Bidder's proposed Variable and/or Fixed O&M expense. • The Bidder shall provide a quarterly fuel price forecast for the third quarter of 2022 until second quarter of 2023, in

	<p>USD/MMBtu. The simple average of this quarterly fuel price forecast shall be used as the reference price (F_o).</p> <ul style="list-style-type: none"> For Contract Years 1 to 10 implementation, the reference price (F_o) shall be adjusted on a quarterly basis using an adjustment factor and shall serve as the Quarterly Fuel Price Cap. The adjustment factor for a given calendar quarter shall be equal to the ratio of P_n to P_o, as defined below. Expressed in formula, $\text{Quarterly Fuel Price Cap}_{\text{Contract Years 1 to 10}} = F_o \times \left(\frac{P_n}{P_o} \right)$ <p>Where:</p> <p>F_o is the simple average of the quarterly fuel price forecast for the four quarters beginning third quarter of 2022 as submitted by the Bidder, in USD/MMBtu</p> <p>P_o is the simple average of the actual quarterly fuel price for the four quarters beginning third quarter of 2022, in USD/MMBtu</p> <p>P_n is the simple average of the actual quarterly fuel prices from the preceding four calendar quarters, in USD/MMBtu. For clarity, the calendar quarters are defined by the following dates:</p> <ul style="list-style-type: none"> (i) December 26 to March 25 (ii) March 26 to June 25 (iii) June 26 to September 25 (iv) September 26 to December 25 <p>The Bidder can only nominate fuel prices based on the relevant indices published by the World Bank's Commodity Markets Outlook (i.e. [i] Coal, Australia; [ii] Natural Gas, US; [iii] Natural Gas LNG, Japan), CoalSpot.com for other coal ranks, or any other index that is easily accessible by Meralco and the electric power industry participants.</p> <p>For clarity, upon implementation of the PSA, the fuel price shall be the lower between the result of the aforesaid formula and the actual fuel costs.</p> <ul style="list-style-type: none"> For Contract Years 11 to 20, the fuel cost shall be a pass-through cost. For purposes of evaluation of this Bidding, for Contract Years 1 to 20, the Bidder's F_o as submitted shall be escalated at a rate of 2% p.a., based on the 2020 Philippine inflation forecast of the Economist Intelligence Unit (EIU) as of August 2020, and the resulting fuel prices shall be used for each respective Contract Year.
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	<ul style="list-style-type: none"> • If the Bidder's Nominated Power Plant will use a fuel source other than coal or natural gas, the Bidder shall submit its own fuel forecast and nominated fuel price index for evaluation of the TPBAC. • In addition, the winning Power Supplier shall undertake to submit a detailed protocol for conducting a competitive selection process for the fuel supply and its freight for the Plant.
Outage Allowance ("OA")	<ul style="list-style-type: none"> • Scheduled OA not exceeding thirty (30) days • Forced OA not exceeding fifteen (15) days • No carry-over of OA • No Major Maintenance OA
Replacement Power	<ul style="list-style-type: none"> • If COD has not occurred as scheduled, (a) Power Supplier, for each day of unexcused delay, shall procure Replacement Power up to the capacity of the relevant Unit/s, to be paid for by Meralco at the lower between WESM price and the Price; or (b) if Replacement Power is not available, pay Meralco Nine Hundred Eight Philippine Peso (PHP908) multiplied by each affected MWh nomination by Meralco, until the earlier of: (x) the COD and (y) the date sixty (60) Days after the Delay Limit Date (as defined in the PSA template) • After COD, Replacement Power will be provided in the following manner: <ul style="list-style-type: none"> a. If within OA, to be purchased by Meralco. b. If beyond OA, to be provided by Power Supplier and paid for by Meralco at the lower between WESM price and the Price. <p>If Power Supplier cannot provide Replacement Power from any other source or WESM due to inadequate supply, Power Supplier shall pay a fine equivalent to Nine Hundred Eight Philippine Peso (PHP908) multiplied by each affected MWh nomination by Meralco, which shall be used to reduce the generation charge to the consumers.</p>
Delay in COD	Parties shall meet and confer about the terms on which the PSA may be continued. If agreement is not reached within sixty (60) Days of the Delay Limit Date, the PSA may be terminated by Meralco and the Performance Security may be forfeited.
Assignment or Transfer of Contract Capacity	The Contract Capacity and Associated Energy that is no longer required by Meralco shall not be assigned or transferred to another entity, except (i) if required for project financing in the case of Power Supplier; (ii) when allowed by the ERC; or (iii) when necessary to mitigate or avoid any losses or costs due to stranded contract capacity, provided that, in all cases, any assignment or

Reduction in Contract Capacity	<p>transfer to a distribution utility shall comply with applicable competitive selection process rules.</p> <p>The Contract Capacity and Associated Energy may be reduced equivalent to the reduction in the demand of captive customers of Meralco in order to avoid stranded contract capacity or by reason of the implementation of Retail Competition and Open Access, the Renewable Energy Law, or other Laws and Legal Requirements.</p>
Grounds for Termination	<ul style="list-style-type: none"> • Event of Default • Non-Fulfilment of Conditions to Effective Date • Non-Occurrence of Commencement Date or COD • Certain Events of Force Majeure • Expiration of Term • Upon Mutual Agreement • Change in Circumstances
Other Relevant Information	<ul style="list-style-type: none"> • Should TPBAC receive less than two Expressions of Interest (as defined below) <u>by 4:00 P.M. of 10 November 2020</u> (Expression of Interest Deadline), it shall declare a failure of the Bidding process. • In order to become an Interested Bidder and obtain a copy of the Bidding Documents, a party must submit the Expression of Interest and Confidentiality Undertaking, and pay the Participation Fee by the Expression of Interest Deadline (all defined below).

Parties interested to participate in the Bidding in order to become an Interested Bidder should submit, using the email of its authorized representative indicated in the Expression of Interest, a clearly scanned copy (.pdf file format) of an accomplished Expression of Interest and Confidentiality Undertaking, in the form and substance made available on Meralco's website, to Meralco's **TPBAC-Secretariat through its email address: tpbacsecretariat@meralco.com.ph until 4:00 P.M. of 10 November 2020** ("Expression of Interest Deadline"). For this purpose, the official time and date of receipt of the emailed submissions shall be the electronic time and date stamp of receipt by the TPBAC-Secretariat's email. Upon the TPBAC-Secretariat's receipt of said submission, subject to a later evaluation of the contents of the submitted documents, it will electronically acknowledge the receipt thereof. If the TPBAC-Secretariat finds that the submissions were properly made, it will then send to the Interested Bidder the bank account details for the payment of the Participation Fee (defined below), with instruction for the transmittal of the scanned copy (.pdf file) of the proof of payment (e.g. deposit slip, online transfer acknowledgment, etc.). After receipt and validation of the Interested Bidder's proof of payment by the TPBAC-Secretariat with MERALCO, the TPBAC-Secretariat shall then transmit by email to the Interested Bidder the corresponding scanned copy of the Official Receipt of the payment of the Participation Fee within two (2) business days. This email will be accompanied by a link to a cloud-based online repository/folder containing its Bidding Documents, which shall be accessible and

available only for that particular Interested Bidder through the registered email/s of its authorized representative/s indicated in its Expression of Interest and/or bidder-specific passwords.

In order to become an Interested Bidder and obtain a copy of the Bidding Documents, payment of a non-refundable fee of the higher between One Million Pesos (PHP1,000,000.00), and Five Thousand Pesos (PHP5,000.00) multiplied by MegaWatt (MW) of Offered Contract Capacity, *inclusive of value added tax ("VAT") and net of creditable withholding tax* ("**Participation Fee**"), **must also be made no later than Expression of Interest Deadline**. If an interested party is a zero-rated VAT entity or exempt from VAT, it shall pay the Participation Fee exclusive of VAT together with a copy of the certificate issued by the Philippine Economic Zone Authority ("PEZA") or the Board of Investments ("BOI") that the payment of Participation Fee by such entity is subject to zero percent (0%) VAT, or a copy of certification that the said entity has exemption under special laws or international agreements which effectively subjects the payment of Participation Fee to zero percent (0%) VAT.

After the Expression of Interest Deadline, Interested Bidders shall no longer be allowed to reduce their indicated Offered Contract Capacity for the rest of the Bidding process, but may increase their indicated Offered Contract Capacity on or before **4:00 P.M. of 15 January 2021**, subject to the Interested Bidder simultaneously paying the additional proportionate Participation Fee and submitting a new Expression of Interest form reflecting the increased Offered Contract Capacity on or before said deadline.

The TPBAC shall conduct a Pre-Bid Conference at **1:30 P.M. to 4:30 P.M. on 15 December 2020** through virtual video conferencing. Prior to the Pre-Bid Conference, Interested Bidders are requested to submit advance queries or requests for clarifications to the Bidding Documents **on or before 4:00 P.M. of 4 December 2020** to the TPBAC-Secretariat through the following email address: tpbacsecretariat@meralco.com.ph and using the Bidder's queries/comments matrix template made available on Meralco's website. The TPBAC shall consolidate the said advance queries and prioritize the discussion thereof during the Pre-Bid Conference, however, if time permits, the TPBAC may entertain and discuss additional queries raised by the Interested Bidders. Only the Interested Bidder's authorized representative/s (not more than three (3) persons) indicated in the Expression of Interest are allowed to attend and participate in the Pre-Bid Conference, together with the DOE and ERC observers invited by the TPBAC.

In order to qualify to bid, an Interested Bidder shall submit to the TPBAC-Secretariat, **on or before 9:00 A.M. of 22 January 2021** (the "**Bid Submission Deadline**"), by uploading to the cloud-based online repository/folder assigned to the Interested Bidder, three (3) separate and password-protected zip folder (.zip file) containing the scanned copies (.pdf file) of its (a) Qualification Documents (Envelope 1) to demonstrate its compliance with all the Legal, Technical and Financial Qualification Requirements; (b) Technical Proposal (Envelope 2); and (c) Bid Price (Envelope 3), which includes the Bid Security equivalent to Three Million Pesos (PhP3,000,000.00) multiplied by MegaWatt (MW) of Offered Contract Capacity. As part of the Bid

Submission Deadline, **between 8:00 A.M. to 9:00 A.M. of 22 January 2021**, the Interested Bidder shall submit, at a venue to be announced later thru a bid bulletin, the Original Copy of all the said documents, including the latest original copy of the Expression of Interest and Confidentiality Undertaking, all placed in a sealed box. Immediately after the Bid Submission Deadline, the TPBAC-Secretariat shall begin to switch the Interested Bidder/s' ability to edit/write/upload to the cloud-based online repository/folder to the read-only mode and the original copies of all documents submitted may no longer be replaced.

Thereafter, the opening, assessment and evaluation of the said bid submissions will proceed at **9:30 A.M. of 22 January 2021**, through virtual video conferencing, and will continue such opening, assessment and evaluation on such other day/s as may be determined by the TPBAC. During the opening of the bid documents, only when the Interested Bidder's name is called will it be instructed to email to the TPBAC-Secretariat the password for the pertinent zip folder/file to be opened by the TPBAC. Only the Interested Bidders that timely and completely submitted their bid documents (represented by their authorized representative/s named in their Expressions of Interest) by the Bid Submission Deadline in accordance with requirements and conditions specified in the Instructions to Prospective Bidders are allowed to attend and participate in the opening of the bid documents, together with the DOE and ERC observers invited by the TPBAC.

An overview of these Bid Requirements may be viewed on Meralco's website at <https://company.meralco.com.ph/news-and-advisories/> and at the Department of Energy (DOE) Competitive Selection Process E-based Portal (**"DOE CSP E-based Portal"**).

Late submissions and requests for additional time shall not be accepted/allowed in all stages of the Bidding.

CERTIFICATION

As Chairman of Meralco's Third Party Bids and Awards Committee (TPBAC), I hereby certify that this Invitation to Bid, including the Terms of Reference and its accompanying Bid Requirements, were circulated and approved by the TPBAC at Pasig City, Philippines.

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Atty. Ferdinand A. Domingo
Chairman