



ANNEX "A"

**Draft Rules Governing the Execution, Review and Evaluation of Power Supply Agreements
Entered into by Distribution Utilities for the Supply of Electricity to Captive Market
Matrix of Comments**

PHILIPPINE INDEPENDENT POWER PRODUCERS, INC. (PIPPA)

Provision	Comment	Proposed Revision
General Comment	<p>Can the generators offer portfolio of plants to a DU requirement? Will financial offers be allowed? We propose that portfolio or financial offers be allowed by the ERC. The physical asset (generating unit) should not be relevant to the evaluation of the PSA. It should only be relevant if the requirement should be for an RE requirement for the Renewable Portfolio Standards. Also, the relevance of a physical plant is for guarantee of supply. However, it should not limit the options to contract on financial basis or portfolio of plants.</p> <p>The ERC review and evaluation should be limited to the process itself. If the DU complied with the requirements set forth by the relevant government institutions. If so, then the PSA shall be approved by the ERC.</p> <p>Moreover, we note that this drafts rules may have inconsistencies with the DOE Circular 2018-02-0003. The DOE has identified its process and it has a portal to monitor each stage of the CSP. Is the ERC rules independent of the DOE Circular? How will the ERC and DOE align the policy and rules with each other?</p> <p>We would also like to propose that there should be a timeline for the approval process of the PSA.</p>	
<p>Article IV. Section 6. Benchmark Rate – The ERC shall establish a benchmark rate that shall serve as reference price that may be used to assess the prudence and reasonableness of the PSA price.</p>	<p>We would like to clarify how ERC intends to calculate for the Benchmark Rate. Will this Benchmark Rate be on a per DU assessment? The Benchmark Rate should not be generator specific. It should be technology neutral. Also, what will happen if the</p>	



ANNEX "A"

Provision	Comment	Proposed Revision
	resulting price is higher than the Benchmark Rate?	
<p>Article V. Section 4. PSA pricing structure Article V. Section 7 ERC Action on the Application.</p>	<p>As we have commented above, the ERC evaluation process should only focus on the process itself and not the rates. The rate is a result of a competitive process, and should already not be subject to cost-based approach.</p> <p>We would also like to note that the "walk-away" clauses are option for both the gen and DUs if the contract may not be commercially feasible for any of the parties. Thus, we propose that the ERC should not amend parts of the contract, and focus on the process itself.</p>	
<p>Appendix A. Procedures of the Competitive Public Bidding for Distribution Utility's (DUs) Power Supply Contracting.</p> <p>1-12 Bid Security</p> <p>(b) The amount must be equivalent to __percent (__%) of the estimated project cost.</p>	<p>We would like to kindly clarify the purpose of the bid security and why is it linked to % of project costs?</p>	
<p>1-23 Performance Bond. The Winning Bidder is required to post Performance Bond under each PSA in the amount equivalent to __% of the</p>	<p>Consistent with the comment above, why is this linked with % of project costs?</p>	



ANNEX "A"

Provision	Comment	Proposed Revision
Project Cost directly to the DU in the form of cash or manager's/cashier's check.		
<p>Appendix B. Power Supply Agreement Framework</p> <p>Term or Contract Period</p> <p>2. Term of contract period of the PSA. The term of the PSA should not exceed ten (10) years.</p>	<p>The ERC should not limit the contract to 10 years. The DU should be given the flexibility to contract with its specified term.</p>	<p>No limitation of contract term</p>