

**COMPETITIVE SELECTION PROCESS (“CSP”) FOR LA UNION ELECTRIC COMPANY, INC. (“LUECO”)**

**TERMS OF REFERENCE (“TOR”)**

<b>1</b>	<b>Demand Requirement</b>	Baseload, Intermediate, Peaking (100% Requirement)
<b>2</b>	<b>Type of Contract</b>	<p>Financial PSA refers to a power supply agreement with the following characteristics: (1) fixed price effective for the duration of the Contract Term; (2) supply is guaranteed for the entire contract term without reference to any physical power plant; and (3) no provision for outage allowance.</p> <p>Provisions for price adjustments in bid offers and in PSAs shall not be allowed under a financial PSA unless the TOR allows for such, providing therein a pre-defined criteria for economic price adjustment that may allow for either positive or negative changes in price under specified circumstances.</p>
<b>3</b>	<b>Technology of Source Plant</b>	Supply from Portfolio of Plants covering RPS-Eligible Renewable Plant or blended supply from Conventional Plant and RPS-Eligible renewable plant
<b>4</b>	<b>Required Contract Capacity</b>	<p>44 MW – 96 MW, including any future load growth</p> <p><i>*Refer to <b>Annex A</b> for Annual Capacity &amp; Energy Estimates</i></p>
<b>5</b>	<b>Required Contracted Energy</b>	<p>Power Supplier shall be responsible for providing for the full energy requirements of LUECO, net of any reduction by reason of the enforcement of Retail Competition and Open Access (RCOA), Green Energy Option Program (GEOP), Distributed Energy Resources (DER), Net-Metering, Self-Generating Facility (SGF) and other future government regulations that will reduce the power supply requirement of LUECO. This is projected to be between 324,804 MWH – 457,076 MWH for over ten years.</p> <p><i>*Refer to <b>Annex A</b> for Annual Capacity &amp; Energy Estimates</i></p>
<b>6</b>	<b>Commencement Date of Supply</b>	September 26, 2025 or upon approval by the ERC of the Provisional Authority to commence supply, whichever is earlier, but to coincide with NGCP Billing every 26 <sup>th</sup> day of the month.
<b>7</b>	<b>Cooperation Period</b>	Commencement date up to September 25, 2035, unless extended by reason of ERC delay of Approval or any event of extended Force Majeure during the Cooperation Period, in which case it shall be extended by a period of time for which the performance is excused as a result of the extended Force Majeure event or due to the delay of ERC approval.

8	Tariff Structure	<p>Base Energy Rate (BER) in Php/kWh subject to the following:</p> <p><b>For RE Supply:</b></p> <ul style="list-style-type: none"> <li>• <b>50% maximum of the BER</b> can be escalated at an <b>annual rate not greater than 3.5%</b> beginning on the <b>second contract year</b></li> <li>• Inclusive of Line Rental and all other market related charges</li> <li>• No VAT</li> </ul> <p><b>For Non-RE Supply:</b></p> <ul style="list-style-type: none"> <li>• <b>60% maximum of the BER</b> can be escalated at an <b>annual rate not greater than 5%</b> beginning on the <b>second contract year</b></li> <li>• Inclusive of Line Rental and all other market related charges</li> <li>• <b>Exclusive of VAT</b></li> </ul> <p>Bids shall be evaluated based on Levelized Cost of Electricity (LCOE) <b>after VAT</b>, whenever applicable which shall be derived using the LCOE calculation sheet in accordance with the formula in <b>Annex B</b>. The Bidder's Proposed Price (for the first Billing Year) and its LCOE are both subject to pre-determined <b>"Reserve Prices"</b>.</p> <p>Bid VAT Rate shall be the maximum 12% VAT for Non-RE Supply that the Winning Bidder may charge LUECO for any given Billing Month.</p>
9	Prompt Payment Discount	Equivalent to 3% of the Electricity Fee upon full payment within ten (10) days from receipt of Final Power Bill.
10	Outage Allowance	<p>Power Supplier shall <b>guarantee 100% availability of supply at BER</b> regardless of source plant's availability or unavailability whether due to a Planned or Unplanned Outage.</p> <p>In the case of Force Majeure Event affecting Power Supplier, Power Supplier shall continue to supply LUECO at BER or WESM Price at LUECO's Metering points, <b>whichever is lower</b>.</p>
11	Replacement Power	Replacement Power during Planned, Unplanned, and Force Majeure Outages of the source plants shall solely be for the account of the Power Supplier at BER or WESM Price at LUECO's metering points, <b>whichever is lower</b> .
12	Currency	Price Offer and Power Bill shall be in Philippine Pesos
13	Regulatory Approvals	<p>Power Supplier, together with LUECO, shall submit a Joint Application to ERC for the Approval of the Power Supply Agreement (PSA). Power Supplier shall make the necessary modifications in accordance with the directive of the ERC.</p> <p><b>Any modifications from the ERC shall: (1) not be a ground</b></p>

		<i>for the automatic discontinuance of the supply arrangement or termination of the PSA, (2) any rate disallowance shall be for the account of the Power Supplier, and (3) Suspension of Supply and Pre-Termination of Contract shall be approved by ERC.</i>
14	<b>Tapping Point Substation/Metering Substation</b>	69kV NGCP Bauang Substation 115kV LUECO Poro Substation
15	<b>Eligibility Requirements of Power Supplier</b>	<p>Must have:</p> <ul style="list-style-type: none"> <li>• List of projects undertaken over the last ten (10) years;</li> <li>• List of electricity generation plants that the Bidder has operated for the last five (5) years</li> <li>• a valid Certificate of Compliance (COC), and/or or documented Power Supply Agreement (PSA) for/with the intended source plant/s; for management of Plant, Independent Power Producer Administration Agreement (IPPAA)</li> <li>• Proof of/Documentation on track record for the last five (5) years of power plants.</li> <li>• sufficient available capacity to supply LUECO's requirements from Commencement date, to be evidenced by a notarized certification in the form and substance provided together with this TOR.</li> <li>• Proof of direct WESM Membership.</li> <li>• RPS-Eligibility for Renewable Energy Plant</li> </ul>
16	<b>Bid Security</b>	The amount must be equivalent to three (3)-month contract cost of the proposed power supply agreement computed using the bid price offered by the Bidder in the form of an Irrevocable Standby Letter of Credit. (as per ERC Res. 16, Series of 2023)
17	<b>Validity of Bid and Bid Security</b>	<p>The required Bid Security shall be valid for ninety (90) calendar days from the deadline for submission and opening of bids.</p> <p>Any Bid with a shorter Bid Validity Period shall be immediately rejected.</p> <p>For winning bidder: Until posting of Performance Security</p>
18	<b>Penalty for non-supply or shortfall due to unavailability of power</b>	<p>A. In case of failure of delivery of Supply from the Grid. Power Supplier shall pay a penalty equivalent to: 10% x GENRATE from the previous Billing Month x Unsupplied Energy</p> <p>Where:</p> <p>Unsupplied Energy = the average of the last 4 same day, same hour of the Trading Intervals affected by the loss of supply from Power Plant, WESM, and any other source which shall be used to reduce the generation charge to the consumers.</p>

		<p>B. In case of non-delivery/shortfall of RPS Requirement.</p> <p>Penalty for RPS Non-Compliance = ERC approved REC Price CAP (ERC Resolution No.12 Series of 2024)</p>
19	Performance Security	<p>Within ten (10) calendar days from the execution of the contract, the Winning Bidder, shall post a Performance Bond, by way of Irrevocable Standby Letter of Credit, equivalent to the three (3)-month contract cost of the proposed PSA computed using the bid price offered by the Winning Bidder.</p>
20	Other Relevant Information	<ul style="list-style-type: none"> <li>• LUECO shall not be subjected to any Minimum Energy Off-take and shall be billed only as metered at LUECO metering points, net of any reduction by reason of the enforcement of Retail Competition and Open Access (RCOA), GEOP, DER, Net Metering, SGF and other future government regulations that will reduce the power supply requirement of LUECO.</li> <li>• Payment shall be made by LUECO within thirty (30) days upon receipt of Power Bill.</li> <li>• Bids for partial capacities (whether Conventional and/or Renewable) shall total 100% of required Annual Capacity up to the end of the Cooperation Period. Please refer to "Annex A".</li> <li>• Only one contract price per year shall apply for the entire duration of the contract.</li> </ul>
21	Participation Fee	<ul style="list-style-type: none"> <li>• All Bidders shall pay, in cleared funds on the date set in the <i>Expression of Interest Deadline</i>, by depositing to designated LUECO Bank account below, a non-refundable participation fee equivalent to <b>Six Hundred Thousand Pesos (PhP600,000.00)</b>, VAT-inclusive and net of 2% EWT, in order to receive an official copy, electronic copy or otherwise, of the Bidding Documents. Only Bidders which paid the appropriate Participation Fee shall be allowed to participate in the Bidding and submit their Documents Submission.</li> </ul> <p>Development Bank of the Philippines–Peso Account  Account Number: 0570 004665 031  Account Name: La Union Electric Company, Inc. (LUECO)</p> <ul style="list-style-type: none"> <li>• Bidders shall present proof of deposit to LUECO, subject to LUECO's validation of deposit with the bank.</li> </ul>

22	<b>Grounds for Termination of PSA</b>	<ul style="list-style-type: none"><li>• Upon expiry of PSA.</li><li>• Upon event of Default either by failure to supply on the part of the Supplier or failure to pay on the part of LUECO.</li><li>• Upon mutual agreement with prior approval from the ERC.</li><li>• Upon certain events of extended force majeure as defined in the PSA.</li></ul>
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## ANNEX A

### SCHEDULE OF ANNUAL DEMAND AND ENERGY REQUIREMENTS

CONTRACT PERIOD	MINIMUM DEMAND (MW)	MAXIMUM DEMAND (MW)	TOTAL ENERGY (MWH)	*PERCENTAGE OF TOTAL RENEWABLE ENERGY from RPS-Eligible Plant
September 26, 2025 - September 25, 2026	44.48	63.64	324,804	16.42%
September 26, 2026 - September 25, 2027	46.14	66.61	337,122	18.94%
September 26, 2027 - September 25, 2028	47.86	69.72	351,340	21.46%
September 26, 2028 - September 25, 2029	49.64	72.97	365,340	23.98%
September 26, 2029 - September 25, 2030	51.49	76.37	372,067	26.50%
September 26, 2030 - September 25, 2031	53.41	79.93	386,086	29.02%
September 26, 2031 - September 25, 2032	55.40	83.65	400,305	31.54%
September 26, 2032 - September 25, 2033	57.46	87.55	413,607	34.06%
September 26, 2033 - September 25, 2034	59.61	91.59	439,692	36.58%
September 26, 2034 - September 25, 2035	61.83	95.86	457,076	39.10%

**\*Note: Subject to increase depending on Annual RPS Requirement of DOE**

## ANNEX B

### LCOE CALCULATION SHEET

#### DERIVING THE LCOE FORMULA

	Contract Year 1	Contract Year 2	...	Contract Year n	
A Contract Price (GENRATE) (Php/kWh)	CP <sub>1</sub>	CP <sub>2</sub>	...	CP <sub>n</sub>	<b>NET Present Value of Amount</b> $\sum_{i=1}^n \frac{CP_i E_i}{(1+d)^{i-1}}$
B Energy (kWh)	E <sub>1</sub>	E <sub>2</sub>	...	E <sub>n</sub>	
C = A * B Amount (Php) *Assuming C	CP <sub>1</sub> E <sub>1</sub>	CP <sub>2</sub> E <sub>2</sub>	...	CP <sub>n</sub> E <sub>n</sub>	
PV of C Present Value of Amount (Php)*	$\frac{CP_1 E_1}{(1+d)^{1-1}}$	$\frac{CP_2 E_2}{(1+d)^{2-1}}$	...	$\frac{CP_n E_n}{(1+d)^{n-1}}$	<b>*Assuming Contract Year 1 is the base year</b> <b>Where d = Discount Factor</b>

Now there exist an annual “Contract Price (GENRATE)” X, such that:

$$\sum_{i=1}^n \frac{CP_i E_i}{(1+d)^{i-1}} = \sum_{i=1}^n \frac{X E_i}{(1+d)^{i-1}}$$

Where X = same “Contract Price (GENRATE)” (Php/kWh) for each Year

Solving for X:

$$X = \frac{\sum_{i=1}^n \frac{CP_i E_i}{(1+d)^{i-1}}}{\sum_{i=1}^n \frac{E_i}{(1+d)^{i-1}}} = \frac{\text{NPV of Amount}}{\text{NPV of Energy}} = \text{LCOE}$$

## **ANNEX C**

### **ACCEPTABLE BANKS FOR THE ISSUANCE OF SBLC**

1. Bank of the Philippine Islands
2. BDO Unibank, Inc.
3. Development Bank of the Philippine
4. Land Bank of the Philippines
5. Metropolitan Bank and Trust Company
6. Philippine National Bank
7. China Banking Corporation