NORTHERN NEGROS ELECTRIC COOPERATIVE, INC. (NONECO)COMPETITIVE SELECTION PROCESS (CSP)

REFERENCE	**:**	**SUPPLEMENTAL BID BULLETIN NO. 06**
ISSUE DATE	**:**	**07 August 2025**
FOR	**:**	**ALL BIDDERS**
SUBJECT	**:**	**AMENDMENTS TO THE DRAFT POWER SUPPLY AGREEMENT (PSA)**

Pursuant to the Department of Energy Circular 2021-09-0030, and to the new ERC 2023 Competitive Selection Process (CSP) based on the ERC Resolution No. 16, Series of 2023, hereby issues the following amendments.

ITEM	DRAFT PSA PROVISION	AMENDMENT
1	**SECTION 1 DEFINITION OF TERMS AND RULES OF INTERPRETATION**	1.1. In this Agreement, capitalized terms shall have the meaning prescribed in ==SCHEDULE 1== hereof. Capitalized terms not therein defined shall have the meanings as provided for in the TOR-CSP or by the applicable laws. 1.2. The following rules of interpretation shall govern this Agreement: 1.2.1 expressions defined in ==SCHEDULE 1== shall bear the respective meanings set out therein;
2	**SECTION 3.2 EFFECTIVE DATE**	==Except for the obligation to deliver [Contracted Capacity/Energy],== the Parties' rights and obligations under this Agreement shall commence on the Effective Date, which shall be the date upon which all of the following conditions are satisfied: ….

		Within ==five (5)== Days after the satisfaction of the conditions referred to in this Section, each Party shall send a written notice to the other Party confirming satisfaction of such conditions and indicating the Effective Date.
3	**SECTION 4 ERC APPROVAL**	==**1.** **ERC APPROVAL**== ==4.1 Within thirty (30) days from execution of this Agreement, the Parties shall file a Joint Application for Approval of this Agreement with the ERC ("ERC Application") and shall exert their best efforts to secure the ERC's Provisional Approval, Interim Relief, and Final Approval of this Agreement as promptly as practicable in accordance with prevailing ERC guidelines, and shall fully cooperate with each other with respect to the ERC Application. Whichever party first receives written approval of the Agreement from the ERC shall, within five (5) calendar days, provide a copy of the approval to the other party.== ==Failure, inability, or refusal of the Seller, without justifiable cause to join in the timely filing of the ERC Application shall result in the forfeiture of the Performance Bond. Should the failure to timely file the ERC Application is caused by Buyer's failure, inability, refusal, or delay, without justifiable cause, to provide or comply with the ERC requirements, Buyer shall be liable for and shall indemnify Power Supplier for any fine, penalty or demerit to be imposed by the ERC.==
4	**SECTION 5 5. PERFORMANCE BOND**	==**SECTION 5**== ==**5.** PERFORMANCE BOND== ==5.1 The Performance Bond amount shall be _____, which shall be effective from ten (10) days from the execution of this Agreement until the expiration of the Term. The Performance Bond shall be returned to Seller after the end of the Term unless sooner terminated in accordance with this Agreement.== ==5.2 The Performance Bond shall be issued in favor of the Buyer and must be in Philippine Peso in the form of:==

		a. Cash or cashier's/manager's check issued by a Universal or Commercial Bank or any other banks certified by the Bangko Sentral ng Pilipinas as authorized to issue such financial instrument; b. Bank draft/ guarantee or irrevocable/standby letter of credit issued by a Universal or Commercial Bank; provided, however, that it shall be confirmed or authenticated by a local Universal or Commercial Bank if issued by a foreign bank; or c. Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security. In case the Performance Bond is issued by an international bank, said security has to be confirmed and validated by its local branch in the Philippines or by a bank that is duly registered and authorized by the *Bangko Sentral ng Pilipinas*. The Performance Bond shall be expressed in or converted to Philippine Peso at the exchange rate prevailing on the date of its issuance. 5.3 Within thirty (30) days after Buyer has notified the Seller in writing that it has drawn on the Performance Bond, the Seller shall provide such additional security or securities as may be sufficient in order to restore the Performance Bond to its full amount.
5	**SECTION 6 6. SECURITY DEPOSIT**	**SECTION 6** **6. SECURITY DEPOSIT** 6.1 The Buyer shall not be required to post Security Deposit upon the execution of this Agreement. 6.2 In the event that the Buyer fails to fully pay one (1) undisputed Seller's Invoice, the Buyer shall be required to post a Security Deposit within thirty (30) calendar days of the immediately succeeding Billing Period.

		6.3 The amount of the Security Deposit shall be equivalent to the Buyer's lowest monthly generation cost with the Seller over the past twelve (12) Billing Periods, and shall be in the form of cash, cash bond, manager's or cashier's check, bank certified check, irrevocable stand-by letter of credit, surety bond or bank guarantee "callable on demand" issued by a financial institution. 6.4 The Seller shall be entitled to draw from the Security Deposit to offset any unpaid and undisputed Seller's Invoices, including any penalties or interest, if any. 6.5 If the Security Deposit is drawn partially or fully by the Seller, the Buyer shall replenish or replace the Security Deposit not later than thirty (30) calendar days from notice by the Seller. 6.6 If the Buyer remains current on its payment obligations with the Seller for three (3) consecutive Billing Periods following the posting of the Security Deposit, the Security Deposit shall be returned to the Buyer. The Buyer need not post another Security Deposit unless it again fails to fully pay one (1) undisputed Seller's Invoice. 6.7 The Buyer shall bear all costs related to securing the Security Deposit. Under no circumstances shall these costs be passed on to the Buyer's consumers.
6	**SECTION 7.2 WESM OPERATIONS**	Buyer shall furnish Seller with its hourly nomination of demand on a daily, weekly, and monthly basis in accordance with the Bilateral Contract Quantity Nomination Protocol provided in **SCHEDULE 4** (BCQ Nomination Protocol).
7	**SECTION 7.3 7.3 REDUCTION OF CONTRACT CAPACITY**	At the option of the Buyer, from time to time upon and after the implementation of Retail Competition and Open Access (RCOA), Green Energy Option Program (GEOP), Renewable Portfolio Standards (RPS), ...
8	**SECTION 7.4.3 SCHEDULED OUTAGES**	The Seller is allowed Scheduled Outages not to exceed the number of hours for each Contract Year as set forth in **SCHEDULE 6**, during which times reduced or no deliveries will be available to the

		Buyer, subject to ERC rules and regulations on Reliability Performance Indices.
9	**SECTION 7.5.1 UNSCHEDULED OUTAGES**	The Seller is allowed Unscheduled Outages not to exceed the number of hours for each Contract Year as set forth in ==SCHEDULE 6==, during which times reduced or no deliveries will be available to the Buyer, subject to ERC rules and regulations on Reliability Performance Indices.
10	**SECTION 7.6.3 REPLACEMENT POWER**	For the plants that are not physically available on the date of delivery, the replacement power shall not exceed four (4) years, otherwise, the same shall be considered ==a breach of contract contemplated on the new ERC CSP Rules of 2023 and shall== be a ground for termination of the Contract and payment by the Seller of Liquidated Damage and Penalty. The Buyer shall pay for such Replacement Power at a) the actual price of the Replacement Power; or b) the approved charge for the PSA, whichever is lower.
11	**SECTION 8 COMPENSATION, PAYMENT AND BILLING**	8.1 Payment of Fees ==Commencing on Delivery Date and throughout the entire Term, Buyer shall pay to the Seller each Billing Period an amount equal to the Monthly Payment in accordance with **SCHEDULE 7 (Monthly Payment, Indexation and Adjustment)**.== ==There shall be no offsetting of payment between the Buyer and Seller and there shall be no withholding of disputed amounts, except for the inadvertent mistake in the amount.== ==If an invoice is not disputed by the Buyer within thirty (30) days of receipt or if the payment is not disputed by the Seller within thirty (30) days of receiving payment from the Buyer, the invoice and payment shall be deemed accepted, final, and binding on the Seller or Buyer, as applicable.== ==8.2 Billing to Buyer== ==Within ten (10) Days from the end of each Billing Period commencing on Delivery Date, the Seller shall deliver to the Buyer the Seller Invoice setting forth the amount that is due from the Seller for the preceding Billing Period.==

		The Parties shall make the necessary adjustments, if necessary, for the Seller Invoice covering the first and last Billing Periods. 8.3 Payments Each Seller Invoice shall be due and payable not later than thirty-five (35) Days from receipt of the Seller Invoice by the Buyer ("Due Date"). If the last day of the Due Date falls on a Saturday, Sunday, legal/regular holiday or special holiday declared by the applicable local government unit where a Party holds principal office, then payment shall be made on the immediately succeeding Working Day 8.4 Manner of Payment All sums indicated in the Seller Invoice shall be paid by the Buyer in Philippine Pesos, through a bank check or bank transfer to a nominated bank of Seller.
12	**SECTION 10.1.1 DEFAULTS AND TERMINATION**	A Party fails to make any payment required pursuant to this Agreement when due and payable and such payment is not made within ten (10) Days after the Due Date; …… Within a [number of days] from knowledge of the occurrence of an Event of Default and for Events of Default capable of being remedied or cured, the Non-Defaulting Party shall issue a written notice to the Defaulting Party specifying in detail the relevant Event of Default (the "Notice of Default"). The Defaulting Party shall have the opportunity to cure the default within the following periods from receipt of the Notice of Default (each a "Cure Period"): (a) Ten (10) Days, for Events of Default under **SECTION 10.1.1**, (b) One hundred eighty (180) Days, for Events of Default under **SECTION 10.1.2**, and (c) One hundred eighty (180) Days, for Events of Default under **SECTION 10.1.3**.

13	**SECTION 10.3 SUSPENSION UPON EVENT OF DEFAULT**	In case an Event of Default is awaiting to be cured during the Cure Period under **SECTION 10.1**, the Non-Defaulting Party may suspend this Agreement, subject to the approval of the ERC, until such time the Event of Default is cured, or the applicable Cure Period lapsed.
14	**SECTION 10.4.3 TERMINATION UPON EVENT OF DEFAULT**	If the Party receiving the Termination Notice intends to raise a Dispute regarding the right to give effect to the Termination Notice (the "Termination Notice Dispute"), such Party shall follow the procedure prescribed in **SECTION 11**; and
15	**SECTION 10.4.4 TERMINATION UPON EVENT OF DEFAULT**	10.4.4 In circumstances where the Party in receipt of the Termination Notice has referred a Termination Notice Dispute for resolution in accordance with **SECTION 10.4.3** above, if: i. at any time after the expiry of the period referred to in **SECTION 10.4.1**, the event giving rise to the Termination Notice has not been remedied; and ii. the Termination Notice Dispute has been determined in favor of the Party who has issued the Termination Notice,
16	**SECTION 10.5.2 TERMINATION AS A RESULT OF EVENTS OTHER THAN EVENT OF DEFAULT**	Termination in Certain Events of Force Majeure. If an event of Force Majeure occurs under the circumstances and having the consequences described in **SECTION 9**, then this Agreement may be terminated, subject to prior notification to and approval by the ERC, by notice of either Party delivered to the other Party within seven (7) Days after the end of such 180-day period. If any Force Majeure is expected by the Claiming Party to exceed one hundred eighty (180) Days then the Claiming Party may give notice to the other Party at any time of the Claiming Party's desire to terminate this Agreement. The Non-Claiming Party shall notify the Claiming Party, within five (5) Days of the receipt of such notice, of either: (1) its acceptance of the notice, in which case this Agreement shall terminate effective on the date of such responsive notice, subject to the prior notification and approval of the ERC, pursuant to its rules and regulations; or (2) its disagreement with the Claiming Party's expectation of the duration of such Force Majeure event, in which case the dispute shall be resolved pursuant to **SECTION 11.**
17	**SECTION 12 ASSIGNMENT OF RIGHTS**	Notwithstanding anything to the contrary contained in this agreement, and in the event of the nonrenewal of Buyer's franchise or the transfer of rights to a new franchise holder, both parties agree to cooperate and exert reasonable efforts to ensure the uninterrupted and seamless transition of power supply services. The non-renewal of the franchise shall not, in itself, constitute grounds for automatic

		termination of this agreement. Buyer shall use best efforts to notify the SELLER in advance of any impending changes in franchise ownership or any circumstances that may affect the continued provision of power supply services. SELLER agrees to work collaboratively with the Buyer and any new franchise holder to facilitate a smooth transition, and both parties shall avoid taking any actions that may lead to the discontinuance of power supply during the transition period. This provision on assignability will be enforceable and will confer benefits upon the involved parties and their respective successors and assigns.
18	**SECTION 14.5 SUCCESSORS AND ASSIGNS**	This Agreement shall inure to the benefit of, and be binding upon, the Parties hereto and their respective successors and permitted assigns, subject to the provision in **SECTION 12**.
19	**SCHEDULE 1**	**"Contract Energy"** - The energy, expressed in kWh to be consumed or purchased by the Buyer from the Seller during each Billing Period indicated in **SCHEDULE 2** (Contract Capacity and Contract Energy (Regular Year) and (Leap Year) at one hundred percent (100%) capacity utilization factor (CUF) with respect to the Contract Capacity. **"Interconnection Facilities"** - All the facilities on the high side of the step-up transformer described in **SCHEDULE 3** to be constructed by or for Buyer to enable it to receive and deliver capacity and energy in accordance with this Agreement plus the Metering System. **"Interconnection Point"** - The physical point(s) where the Facility and the Buyer Grid System are connected as specified in **SCHEDULE 3**.
20	**SCHEDULE 4**	SCHEDULE 4 [Note: Schedule 4 shall be finalized by the Winning Bidder and the Buyer] **BCQ NOMINATION PROTOCOL**

| 21 | **SCHEDULE 5** | SCHEDULE 5 [Note: Schedule 5 shall be finalized by the Winning Bidder and the Buyer] **PROTOCOL FOR REDUCTION OF CONTRACT CAPACITY AND/OR CONTRACT ENERGY** ...... 1. Grounds for Reduction: Buyer may initiate a reduction of Contract Capacity and/or Contract Energy based on the following grounds, as provided in the Resolution: Significant and sustained reduction in Buyer's load demand due to the implementation of Retail Competition and Open Access (RCOA), Green Energy Option Program (GEOP), Renewable Portfolio Standards (RPS), Net Metering programs, and other similar government programs. The Buyer's customer procures electricity from RES, in which case Buyer shall be entitled to a reduction in the Contract Capacity equivalent to the average hourly coincidental peak demand of such the NONECO's customer for the last twelve (12) calendar months prior to such disconnection; and The Buyer's customer procures electricity from any supplier who does not supply electricity to Buyer, in which case Buyer shall be entitled to a reduction in the Contract Capacity equivalent to the average hourly coincidental peak demand of such Buyer's customer for the last twelve (12) calendar months prior to such disconnection multiplied by the proportion of the Contracted Capacity to the total capacity contracted by the Buyer with all of its Suppliers of electric power (including the SELLER). |

22	**SCHEDULE 6**	SCHEDULE 6 [Note: Schedule 6 shall be finalized by the Winning Bidder and the Buyer] **SCHEDULED AND UNSCHEDULE OUTAGES** The Seller shall be allowed of outages for each contract year not exceeding to: Scheduled outage: _____ hours. Unscheduled outage: _____ hours
23	**SCHEDULE 7**	SCHEDULE 7 [Note: Schedule 7 shall be finalized by the Winning Bidder and the Buyer] **MONTHLY PAYMENT, INDEXATION AND ADJUSTMENT** The Bidder shall provide the detailed calculation of its payment offers including formula and references. All cost items shall be itemized and classified into: Electricity Fee will compose of the following: • Capital Recovery Fee (CRF) • Fixed Operation and Maintenance Cost (FOM) • Variable Operation and Maintenance Cost (VOM) • Fuel Fee (FF)

$$Electricity\ Fee\left(\frac{Php}{kWh}\right) = CRF + FOM + VOM + Fuel\ Fee$$

A. Capital Recovery Fee (CRF)

CRF shall not be indexed or escalated for the entire duration of the contract;

The CRF is equal to the bid price of capital recovery cost of the 100% CUF in the billing month;

$$CRF_{Month} = \ CRF_{Month}\ @\ 100\%\ CUF_{Month}$$

The CUF for each month shall be calculated as ratio of the energy dispatch of the month, and the total energy production of the power plant at 100% utilization.

B. Fixed Operation and Maintenance Fee (FOM)

The base prices of the FOM may have local and foreign component that may or may not be indexed to applicable inflation indexations. The bid price offered by the bidder shall be indexed based on the table.

Index	Base Value	Source
PH CPI	127.4	Consumer Price Index (2018 = 100), All Income Households, All Items for June 2025 https://www.bsp.gov.ph/SitePages/Statistics/Prices.aspx?TabId=1
US CPI	322.561	Consumer Price Index for All Urban Consumers (CPI-U) (1982-1984 = 100): U.S. City Average All Items, by expenditure category, June 2025 https://www.bls.gov/regions/northeast/data/consumerpriceindex_us_table.htm
FOREX	57.4246	Daily Pesos per U.S. Dollar Rate, Monthly Average for March 2025 https://www.bsp.gov.ph/statistics/external/day99_data.aspx

The applicable price for the FOM for the billing month shall be calculated as follows:

$$FOM_{Month} = \left[K_L^{FOM} \; x \; FOM_L^{CUF} \; x \; \frac{PH\;CPI_{N-1}}{PH\;CPI_{BASE}} \right] + \left[(1 - K_L^{FOM}) \; x \; FOM_L^{CUF} \right]$$
$$+ \left\{ \left[K_F^{FOM} \; x \; FOM_F^{CUF} \; x \; \frac{US\;CPI_{N-1}}{US\;CPI_{BASE}} \right] \right.$$
$$\left. + \left[(1 - K_F^{FOM}) \; x \; FOM_F^{CUF} \right] \right\} \; x \; FOREX_{N-1}$$

Where:
- K_L^{FOM} is the indexation parameter in percent (%) with an effective value between zero (0) (for no indexation) to one (1) (for full indexation), for local fixed O&M;
- K_F^{FOM} is the indexation parameter in percent (%) with an effective value between zero (0) (for no indexation) to one (1) (for full indexation), for foreign fixed O&M;
- FOM_L^{CUF} is the value of the local fixed O&M cost component at a given CUF;
- FOM_F^{CUF} is the value of the foreign fixed O&M cost component at a given CUF;
- $PH\;CPI_{Base}$ is the base value of the Philippine CPI (2018-100) of all income households of all items for the reference month June 2025, equal to 127.4, as found in https://www.bsp.gov.ph/SitePages/Statistics/Prices.aspx?TabId=1
- $PH\;CPI_{N-1}$ is the value of the Philippine CPI on the month preceding the billing month;
- $US\;CPI_{Base}$ is the average of the US consumer price index for all urban consumers (CPI-new) (1982=100), by expenditure category, for the reference month June 2025, equal to 322.561, published by US bureau of labor statistics, https://www.bls.gov/regions/northeast/data/consumerpriceindex_us_table.htm;
- $US\;CPI_{N-1}$ is the value of the US CPI on the month preceding the billing month;

- $FOREX_{N-1}$ is the value of the monthly average of daily pesos or US dollar rate on the month preceding the billing month published by BSP, https://www.bsp.gov.ph/statistics/external/day99_data.aspx.

C. Variable Operation and Maintenance Fee ("VOM")

The base prices of the VOM may have local and foreign component that may or may not be indexed to applicable inflation indexations. The bid price offered by the bidder shall be indexed based on the table.

Index	Base Value	Source
PH CPI	127.4	Consumer Price Index (2018 = 100), All Income Households, All Items for June 2025 https://www.bsp.gov.ph/SitePages/Statistics/Prices.aspx?TabId=1
US CPI	322.561	Consumer Price Index for All Urban Consumers (CPI-U) (1982-1984 = 100): U.S. City Average All Items, by expenditure category, June 2025 https://www.bls.gov/regions/northeast/data/consumerpriceindex_us_table.htm
FOREX	57.4246	Daily Pesos per U.S. Dollar Rate, Monthly Average for March 2025 https://www.bsp.gov.ph/statistics/external/day99_data.aspx

$$VOM_{Month} = \left[K_L^{VOM} \ x \ VOM_L \ x \ \frac{PH \ CPI_{N-1}}{PH \ CPI_{BASE}} \right] + \left[\left(1 - K_L^{VOM}\right) x \ VOM_L \right]$$
$$+ \left\{ \left[K_F^{VOM} \ x \ VOM_F \ x \ \frac{US \ CPI_{N-1}}{US \ CPI_{BASE}} \right] \right.$$
$$\left. + \left[\left(1 - K_F^{VOM}\right) x \ VOM_F \right] \right\} x \ FOREX_{N-1}$$

Where:
- K_L^{VOM} is the indexation parameter in percent (%) with an effective value between zero (0) (for no indexation) to one (1) (for full indexation), for local variable O&M;

- K_F^{VOM} is the indexation parameter in percent (%) with an effective value between zero (0) (for no indexation) to one (1) (for full indexation), for foreign variable O&M;
- VOM_L is the value of the local variable O&M cost component;
- VOM_F is the value of the foreign variable O&M cost component;
- $PH\ CPI_{Base}$ is the base value of the Philippine CPI (2018-100) of all income households of all items for the reference month June 2025, equal to 127.4, as found in https://www.bsp.gov.ph/SitePages/Statistics/Prices.aspx?TabId=1
- $PH\ CPI_{N-1}$ is the value of the Philippine CPI on the month preceding the billing month (N-1);
- $US\ CPI_{Base}$ is the average of the US consumer price index for all urban consumers (CPI-new) (1982=100), by expenditure category, for the reference month June 2025, equal to 322.561, published by US bureau of labor statistics, https://www.bls.gov/regions/northeast/data/consumerpriceindex_us_table.htm;
- $US\ CPI_{N-1}$ is the value of the US CPI on the month preceding the billing month (N-1);
- $FOREX_{N-1}$ is the value of the monthly average of daily pesos or US dollar rate on the month preceding the billing month published by BSP, https://www.bsp.gov.ph/statistics/external/day99_data.aspx.

D. Fuel Fee ("FF")

The Fuel Fee (FF) will be based on the formula:

$$FF_{Month} = Actual\ Fuel\ Pass\ Through\ Cost$$

Fuel Fee shall be a pass-through component of the price.

However, in order for NONECO to validate and pay the Fuel Fee, the Seller's Invoice shall include the following:

1. Summary of Total Fuel Cost: A summary statement showing the total Fuel Fee for the relevant billing period, with a detailed breakdown of all cost components.
2. Relevant fuel supplier's invoice: The invoice/s detailing the actual Fuel Fee incurred to produce the delivered energy to NONECO. If any index or indices are used, the Seller must provide the Buyer with relevant proof to substantiate index.
3. Fuel Inventory Report: The Seller must also attach the monthly fuel inventory report submitted to the DOE.
4. Fuel Supply Agreement: A copy of the applicable Fuel Supply Agreement covering the fuel used during the billing period.

NONECO reserves the right to defer payment of the Fuel Fee for any billing period until the required supporting documents have been fully submitted by the Winning Bidder.

E. Sample Bills

For Lot 3

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SCHEDULE 7

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[Note: Schedule 7 shall be finalized by the Winning Bidder and the Buyer]

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MONTHLY PAYMENT, INDEXATION AND ADJUSTMENT

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A. Single-Tariff Structure

The tariff must be a singular, blended rate inclusive of Capital Recovery Factor (CRF), Fixed Operation & Maintenance (FOM), and Variable Operation & Maintenance.

		The tariff shall be fixed (i.e., not subject to escalation or any indices) for the whole duration of the contract. Any fuel fee charges will be treated as a pass-through cost, subject to a post-billing verification process. This process will require the submission of additional documentation for validation. **B. Sample Bills**

Approved By   :   NONECO BAC

ROEL F. SALGADO, REE
NONECO BAC, CHAIRMAN
07 August 2025