



NATIONAL POWER CORPORATION

NPB-OCS-18 - 0273
MEMORANDUM

For : **THE MEMBERS
NATIONAL POWER BOARD**

From : **THE BOARD REVIEW COMMITTEE**

Subject : **BOARD REVIEW COMMITTEE (BRC) REPORT
[For the 11 October 2018 BRC Meeting]**

Date : 19 October 2018

Hereunder are the highlights/salient points of the Board Review Committee (BRC) Meeting held on *11 October 2018* for the reference of the Members of the Board:

I. Call to Order.

There being a quorum, Asec. Danielle Marie S. Rieza-Culangen, representative of the DOF Secretary and Chairman of the NP Board, called the meeting to order.

II. Adoption of the Agenda.

After the prayer led by the Corporate Secretary, the BRC adopted the Agenda as presented.

III. Presentation and Discussion.

a. Lease of 4.5 MW Modular Diesel Generating Sets for Jolo Diesel Power Plant (PR No. S3-JOL18-041/PB180911-AP00302)

VP M.P. Ridulme presented the highlights of the procurement process and explained the bases of the NPC-BAC in recommending the award of the contract to Aggreko Energy Rental Solutions, Inc. He also emphasized that Aggreko's offer is more advantageous in the long run for the corporation given the fuel consumption at a guaranteed fuel rate.

Action Taken : *The BRC endorsed the subject matter for the consideration of the National Power Board subject to the following conditions/instructions:*

1. *that the bases/reasons for choosing the winning bidder are properly documented and can be supported by detailed calculations as presented;*
2. *that the Management shall continue to diligently monitor the performance of the leased generating sets using the GFR as reference; and*
3. *that penalties prescribed in the TOR shall be strictly imposed should there be deviations from the GFR.*

The BRC also instructed the Management to write and make representations with the DOE regarding the duty of the electric cooperatives to conduct Competitive Selection Process (CSP). The letter of NPC shall contain the following points:

1. *that NPC supports the conduct of CSP and is willing to provide necessary [technical] assistance to the ECs;*
2. *that DOE's policy direction regarding CSPs is crucial for NPC's strategic planning and operations (i.e. whether NPC shall continue to lease or put up its own power generating facilities); and*
3. *that accordingly, NPC needs to be updated of the CSP timelines*

Moreover, for future procurements (lease of generating units), the Committee asked the Management to review the wordings of the Terms of Reference (TOR), particularly on the determination and evaluation of bid. The Committee also asked the BAC to present during the Board Meeting the calculations/simulations as to the total costs of operating the generating sets offered by the bidders (1, 3, 6 months) using their guaranteed fuel rates.

b. Construction of New Rizal Diesel Power Plant in Punta Baja, Rizal, Palawan (Specs. No. LuzP16Z678Sc/PR No. S1-JPR17-014(PB3))

VP M.P. Ridulme discussed the highlights of the procurement process and the contractual scope of works of the project. He likewise provided the justifications

for constructing a new power facility in Rizal, Palawan and discussed the bases of the NPC-BAC in recommending the award of the project to I. A. Bosque Construction Corporation.

Action Taken : *The BRC endorsed the subject matter for the consideration of the National Power Board. It also lauded the NPC Management and the BAC for exerting efforts to improve the procurement process (e.g. validating/ascertaining the submissions of the bidders with other government agencies i.e. LTO; and informing/reminding the bidders during the pre-bid conferences of the major reasons for disqualifications/rejection of bids).*

c. Approval of the Terms of Reference (TOR) for the Procurement of the CY 2019 Fuel Requirements of NPC-SPUG Power Plants, Units and Barges

VP M.P. Ridulme informed the Board of the fuel requirements of the NPC-SPUG Power Plants and Barges for CY 2019. He emphasized that in accordance with the NP Board instruction, all TORs for contracts requiring the Board's approval have to be presented to it prior to the commencement of the procurement activities. He further emphasized that the presentation is also necessary in light of the latest DBM policy on early procurement for the FY 2019 National Expenditure Program (NEP).

In response to the queries of the Committee Members, VP M.P. Ridulme presented the current year's contracted fuel requirements (diesel oil and fuel oil) with the different suppliers amounting to P5.8 billion, as approved by the NP Board. He also discussed the timelines for the procurement of the FY 2019 fuel requirements and the necessity of advertising the same early on. Furthermore, he discussed the documents that bidders have to submit during the post-qualification.

Action Taken : *The BRC endorsed the subject matter for the consideration of the National Power Board. It also instructed the Management to include the following information during the Board presentation:*

- 1. historical market allowance (clarify the basis i.e. whether purely MOPS/Forex or with inflation rate factor)*
- 2. cost-sharing rule in the testing/evaluation of delivered fuel (third party evaluation)*
- 3. delivery sites per proposed Lot*

Moreover, subject to confirmation by the NP Board, the BRC agreed, out of necessity, to authorize the NPC Management to proceed with

**the advertisement of the procurement of the FY
2019 NPC Fuel Requirements**

d. Advertisements of NPC Projects in Newspapers of General Circulation

VP M. P. Ridulme underscored that the Revised IRR of R.A. 9184, specifically Section 21.2.1 thereof provides that "*[e]xcept as otherwise provided in Section 54.2 of this IRR and for the procurement of common-use goods and supplies, the Invitation to Bid/Request for Expression of Interest shall be:*

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- (c) *Advertised at least once in one (1) newspaper of general nationwide circulation which has been regularly published for at least two (2) years before the date of issue of the advertisement: Provided, That advertisement shall not be required for contracts to be bid with an ABC of Ten Million Pesos (10,000,000.00) and below for the procurement of goods, Fifteen Million Pesos (15,000,000.00) and below for the procurement of Infrastructure Projects, and Five Million Pesos (5,000,000.00) and below for the procurement of Consulting Services.*

Two (2) years after the effectivity of this IRR, advertisement in a newspaper of general nationwide circulation shall no longer be required. However, a Procuring Entity that cannot post its opportunities in the PhilGEPS for justifiable reasons shall continue to publish its advertisements in a newspaper of general nationwide circulation."

VP M.P. Ridulme explained that the Management already wrote GPPB to clarify the specific date when advertisement in newspaper circulation ceases as a procurement requirement. In the meantime, he presented the following options for NPC:

- (1) Advertise [the] items requiring the NP Board approval - (PRs amounting to more than P50.0 Million); or
- (2) Comply with the no newspaper advertisement

Dir. R.V. Angeles commented that NPC can also advertise the procurement activities on social media platforms such as Facebook as done by other government agencies. Asec. R.M. Planta stated that for items amounting to P50.0 Million and above, it is advised that the status quo be maintained. However, for those items below the threshold, the decision to advertise lies with the Management.

The Corporate Secretary also emphasized that the previous Board, upon the recommendation of NEDA ADG Ruben S. Reinoso, mandated the advertisement

in newspapers of general circulation of all projects requiring Board approval to encourage bidding competition.

VP M.P. Ridulme stated that he will inform the Board of GPPB's clarification on the matter. He also emphasized that even if NPC will not advertise the procurement activities in the newspapers, the Management will still post the advertisements in the PhilGEPS and in the NPC Website.

Action Taken : ***The BRC unanimously agreed that for all projects needing the approval of the National Power Board (i.e. Php 50 Million and above), the same shall still be published in newspaper(s) of general circulation. For those that are below the said threshold, the Management was given the free hand (whether to advertise or not).***

The Management was also asked to update/inform the Board of the GPPB's opinion/position on the advertisement of NPC projects in newspapers of general circulation.

To invite more bidders, the Management was further asked to consider posting procurement announcements in NPC's official social media account (Facebook) as done by other government agencies such as DTI-BOI.

e. Copy of the 01 October 2018 letter of S.L. Development Construction Corporation (SLDCC) to President P. J. Benavidez in connection with SLDCC's Competitive Participation to the NPC Biddings

Asec. D.M.S. Rieza-Culangen inquired about the copy of the letter from SLDCC which was attached to the agenda folders of the BRC.

Pres. P.J. Benavidez shared that the letter is all about the SLDCC's desire to participate in the NPC's bidding invitation for the supply of modular diesel generating sets. He said that SLDCC informed NPC that they could not meet NPC's requirement on PCAB License since theirs is license with "AAA" Electrical Works classification (and the one required by NPC is a PCAB License with "AAA" General Building classification.)

The BRC commented that the Management should review the technical specifications/requirements of NPC and that the Management should decide which submissions are proper for the post-qualification period. Pres. P.J. Benavidez informed that the Management are taking steps to ensure that there are more participants in the procurement activities of NPC.

Action Taken : ***The BRC took note of SLDCC's letter.***

f. Filing of Petition with the Energy Regulatory Commission (ERC) for the Recovery/Refund of the Revenue Shortfall/Surplus in the Universal Charge for Missionary Electrification (UCME) for CY 2016

Ms. Ma. Annabel Versoza, Manager - Electricity Tariff Division, Corporate Affairs Group presented the above-captioned item. She discussed the structure of the existing NPC-SPUG rates and explained how ERC determines the UCME (Universal Charge for Missionary Electrification); the SAGR (Subsidized Approved Generation Rate); the ICERA (Incremental Currency Exchange Rate Adjustment); and GRAM (Generation Rate Adjustment Mechanism). She also discussed the bases and calculations for the True-Up Adjustments that have to be filed with the ERC as well.

Action Taken : *The BRC endorsed the proposed filing of the above-captioned petition with the ERC for the consideration and approval of the NP Board. It also asked the management to review the timelines for the preparation and filing of all ERC petitions. Per Asec. DMS Rieza-Culangen, Asec. RM Planta and Exec. Dir. RV Angeles, the Management was also asked to consider allocating resources (technology and manpower) to help in the preparation of the tariff applications and to ensure that the ERC-prescribed period for submission is observed).*

The Electricity Tariff Division also committed to conduct a briefing with DOF representatives about about UCME-True-Up, etc. and the relationship between regulatory accounting as authorized by ERC and financial accounting as prescribed by COA.

g. Re: Grant of CY 2017 Performance-Based Bonus (PBB) to all Officials and Employees of NPC

The Corporate Secretary informed the BRC of the status of the CY 2017 Performance-Based Bonus (PBB) of the NPC officials and employees. He stated that the Board already approved the passage of a Board resolution therefor. However, because of the recently-approved salary adjustment/step increment, he manifested that he will circulate a new resolution in *ad referendum* reflecting the adjusted amount(s).

The BRC took note of the Corporate Secretary's manifestation.

h. Other Matter(s)

Asec. R.M. Planta introduced **Mr. Edgar A. Basilio**, the incoming Chief of NEDA's Power and Electrification Division. He said that Mr. E.A. Basilio will be joining him in the BRC/NPB meetings. Mr. Basilio was accordingly welcomed by the BRC.

IV. Adjournment

The meeting was adjourned at 11:35 AM.

V. BRC Members/Representatives Present


- a. **Asec. Danielle Marie S. Rieza-Culangen**
Alternate of the DOF Secretary
BRC Chairperson
- b. **President Pio J. Benavidez**
Member – NPC
- c. **Exec. Dir. Raul V. Angeles**
Alternate of the DTI Secretary
- d. **Dir. Carmencita P. Mahinay**
Alternate of the DBM Secretary
- e. **Dir. Bernadette F. San Juan**
Representative of Usec. A. T. Cayanan, DA
- f. **Asec. Roderick M. Planta**
Alternate of the Director General, NEDA
- g. **Mr. Emmanuel C. Talag**
Representative of Usec. F.W. B. Fuentebella, DOE
- h. **Atty. Jeff Kevin C. Carbonel**
Representative of Usec. Epimaco V. Densing III, DILG
- i. **Atty. Patrick Mabbagu**
Corporate Secretary

Respectfully submitted.



LEONORA D. VILLALOBOS
Minutes and Agenda Officer

Endorsed for BRC:



PATRICK MABBAGU
Corporate Secretary