

**MICROGRID SYSTEM PROVIDER SERVICE CONTRACT  
BETWEEN NATIONAL POWER CORPORATION AND  
(MGSP) FOR THE AREA OF  
(NAME OF AREA)**

This **MICROGRID SYSTEM PROVIDER SERVICE CONTRACT** (the "Contract") is entered into this \_\_\_ day of \_\_\_\_\_ 2024 by and between:

The **NATIONAL POWER CORPORATION (NPC)**, a government-owned and controlled corporation duly organized and existing under Republic Act (R.A.) No. 6395 as amended, with principal office address at Gabriel Y. Itchon Building, Senator Miriam P. Defensor-Santiago Avenue (formerly BIR Road) corner Quezon Avenue, Diliman, Quezon City 1100, herein represented by its President and Chief Executive Officer, **FERNANDO MARTIN Y. ROXAS**, who is authorized to represent it in this Agreement, hereinafter referred to as "NPC";

and

The ===== with principal office address at =====, herein represented by, =====, who is authorized to represent it in this transaction, hereinafter referred to as "MGSP";

(each as a "Party" and together as the "Parties")

**WITNESSETH: THAT**

**WHEREAS**, Section 2 of R.A. No. 9136 or the "Electric Power Industry Reform Act (EPIRA)",(a) declares that it is the policy of the State to: (a) ensure and accelerate the total electrification of the country; (b) ensure quality, reliability, security, and affordability of the supply of electric power; (c) ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability; (d) enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors; (e) ensure fair and non-discriminatory treatment of public and private sector entities; (f) protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power; (g) assure socially and environmentally compatible energy sources and infrastructure; and (h) to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;

**WHEREAS**, on 21 January 2022, R.A. No. 11646 entitled "An Act Promoting the Use of Microgrid Systems to Accelerate the Total Electrification of Unserved and Underserved Areas Nationwide" also known as "Microgrid Systems Act" was approved;

**WHEREAS**, pursuant to Section 26 of the R.A. No. 11646, the Department of Energy (DOE) issued the Department Circular No. DC2022-05-0017 entitled “Rules and Regulations to Implement R.A. No. 11646” which became effective on 25 June 2022;

**WHEREAS**, under Section 7 of R.A. No. 11646, DOE declared unserved or underserved areas which are awarded to MGSPs shall be deemed waived by the distribution utility insofar as its obligations to provide distribution services and connections to end users and supply electricity to the area concerned;

**WHEREAS**, in accordance with Section 13 of the DOE Department Circular No. DC2022-05-0017, the MGSP Special Bids and Awards Committee (MGSP-SBAC) conducted...;

**WHEREAS**, on <date>, the DOE issued the Notice of Award (NOA) to MGSP with NOA Number: <NOA number> and received by MGSP on <date>...;

**WHEREAS**, pursuant to Section 13.4.5 of the IRR of R.A. No. 11646 and the issued NOA, the NPC and the winning MGSP shall execute the MSC within fifteen (15) calendar days after the receipt of the notice of award by both parties;

**WHEREAS**, pursuant to the issued NOA, the MGSP shall immediately file with the petition for approval of the Full Cost Recovery Rate or “FCRR” upon acceptance of the NOA;

**WHEREAS**, the Energy Regulatory Commission or “ERC”, shall evaluate and approve the FCRR, subsidy and retail rate to be imposed on end-users within one hundred thirty-five (135) calendar days from receipt of the complete application;

**WHEREAS**, under Sections 20.1 and 24.7 of the DC2022-05-0017, the ERC shall issue a resolution on the recovery, collection and availment of UC-ME by NPC for the microgrid;

**WHEREAS**, pursuant to Section 11 (e) of R.A. No. 11646 and Section 24.5 of the DC2022-05-0017, the ERC shall monitor the compliance of all MGSPs with their obligations under their respective ATOs and COCs; and

**WHEREAS**, pursuant to Section 12 (j) of R.A. No. 11646 and Section 23.6 of the DC2022-05-0017, the DOE shall monitor the operations of all awarded MGSPs and their respective MSCs: Provided, That the DOE, motu proprio or upon complaint, may conduct a review of an MGSP’s operations and its corresponding MSC should it find reasonable grounds for noncompliance with the minimum technical and service performance standards and other provisions of the MSC.

**NOW, THEREFORE** in view of the foregoing premises and in consideration of the mutual covenants and agreements hereinafter set forth, the Parties hereby agree as follows:

## 1 Definitions and Interpretation

**1.1 Definitions.** Wherever used in this Contract, schedules or annexes, unless the context otherwise requires, the following words and acronyms shall have the following meanings:

Actual Commercial Operations Date	Refers to the date of when the MGSP first delivered power, subject to the compliance with Section 4.2 hereof. Provided further that compliance with the submission of certain requirements under Section 4.2.1 may be excused subject to the Issuance of a Notice/Acknowledgement or similar document by ERC.  For avoidance of doubt, it is understood that it does not include the testing and commissioning period.
Applicable Law	Refers to relevant laws, statutes, orders, issuances, rules, rulings, regulations, codes, decisions, opinions or interpretations of Government Authorities during the Term.
Authority to Operate or "ATO"	Refers to the document issued by the ERC to the MGSP, which shall constitute the latter's license to provide integrated power generation and distribution services to the unserved or underserved areas.
Billing Month	The period commencing immediately after the inspection and recording of the electric consumption readings in the electricity meters of the DPG on the 25th day of each calendar month and ending up on the inspection and recording of the electric consumption readings in the said electricity meters on the 25th day of the next calendar month.
Change in Law	Shall have the meaning set forth in Section 10 of the Contract.
Commercial Operations Period	Refers to the Term of the contract commencing on the Actual Commercial Operations Date as referred to in Section 3.2 hereof.

Certificate of Compliance or "COC"	Refers to a certificate given to an Entity by the ERC to engage in the operation of a power plant facility used to generate electricity pursuant to Section 6 of R.A. 9136 and Section 4 Rule 5 of its IRR.
Cure Period	Refers to the 90-day period given to the Defaulting Party in Section 9.4.1 hereof, within which to cure or remedy an Event of Default.
Decentralized Power Generation or "DPG"	Refers to small-scale power generation facilities that operate locally and are connected to the distribution system of the microgrid or end-user that could be aggregated to provide electric power necessary to meet demand, including, but not limited to, mini-wind turbines connected to a microgrid, energy storage, and solar photovoltaic rooftop of an end-user.
Department of Energy or "DOE"	Refers to the Government agency created by virtue of Republic Act No. 7638 and mandated by the EPIRA to supervise the restructuring of the electricity power industry, among others.
Distribution System	Refers to the system of wires and associated facilities extending between the delivery points on the transmission, sub-transmission system, or power generation facility connection and the point of connection to the premises of the end-user, whichever is applicable.
Distribution Utility or "DU"	Refers to any electric cooperative, private corporation, government-owned utility, or existing local government unit which has a franchise to operate a distribution system including those whose franchise covers economic zones.
End-user	Refers to any natural or juridical person requiring the supply and delivery of electricity for its own use.
Energy Regulatory Commission or "ERC"	Refers to the Government agency created under Section 38 of the EPIRA.
Force Majeure or Event of Force Majeure	Refers to events provided in Section 7.1. of the Contract.

Full Cost Recovery Rate or “FCRR”	Refers to the rate, expressed in Peso per kilowatt- hours, that allows recovery of the full efficient costs of generating, distributing and supplying electricity, sufficient to enable the MGSP to operate viably, as may be authorized by ERC.
Generation Facilities	Refer to any power generating facilities installed or contracted by the MGSP to service the MGSP Service Area/s.
Good Industry Practice	Refers to the practices and methods not specified in specific standards but are generally accepted by the power industry to be sound and which ensure the safe and reliable planning, operation, and maintenance of a power system.
Government Authority	Any agency, authority, office, commission, department, or political subdivision of the Republic of the Philippines, whether national, regional, provincial, municipal, or otherwise.
Government Consent	Permits, licenses, agreements, orders, certificates, registrations, authorizations, consents, and other approvals or clearances issued or released by and/or executed with a Government Authority within the scope of its authority and in the valid exercise of its official duties, functions, and powers.
Guaranteed Dependable Capacity	Refers to the total dependable generating capacity of the power station/s, expressed in Kilowatt, that the MGSP is required to make available for the MGSP Service Area, the specifications of which are provided in <b>Schedule 3</b> .
Load Requirement	Refers to the retail demand for electricity for the MGSP Service Area which the MGSP shall provide in accordance with <b>Schedule 2</b> hereof.
Microgrid System	Refers to a group of interconnected loads and a generation facility or DPG with clearly defined electrical boundaries that acts as an integrated power generation and distribution system, whether or not connected to a distribution or transmission system.

Microgrid System Provider Service Contract or “MSC”	Refers to the contract between the MGSP and the NPC whereby the MGSP performs the missionary electrification function on behalf of the NPC and provides integrated power generation and distribution services in an unserved or underserved area, and to receive subsidy whenever applicable.
Microgrid System Provider or “MGSP”	Refers to a natural or juridical person whose business includes the installation, operation, and maintenance of microgrid systems in unserved or underserved areas nationwide;
MGSP Service Area	Refers to Unserved or Underserved Area where MGSP shall provide microgrid system services. The MGSP Service Area is more specifically defined in <b>Schedule 1</b> .
Sound Value	Refers to the value of the Distribution System and/or the DPG (as the case may be) and related assets and equipment owned by the MGSP.
Subsidized Approved Retail Rate or “SARR”	The rate, expressed in Peso per kilowatt-hour, that the ERC has determined to be the maximum that an end-user in an MGSP Service Area should pay for power supplied by an MGSP.
System Average Interruption Duration Index or “SAIDI”	Refers to the total duration of sustained customer power Interruption within a given period divided by the total number of customers served within the same period.
Target Commercial Operations Date	Refers to the business day immediately following the day which should not be later than eighteen (18) months from the Effective Date of the MSC, unless such other date is agreed upon by the Parties. Should there be delays beyond MGSP control, the MGSP can request extension on the said timeline for the approval of the DOE.
Term	Refers to the period as provided in Section 3.2 hereof.

Termination Date	Refers to the date this Contract expires, terminates or ceases to have effect under Section 9.6 hereof.
Termination Notice	Refers to the written notice issued under Section 9.6 hereof.
Underserved Area	Refers to a currently served area whose supply of electricity is less than twenty-four (24) hours daily because of the non-implementation of the approved capital expenditure projects, noncompliance with the service parameters of the PDC, or any other reason resulting to an overall failing mark based on ERC's latest annual technical evaluation of the performance of distribution systems.
Universal Charge Missionary Electrification Subsidy or "UC-ME Subsidy"	Refers to the portion of the non-bypassable charge passed on and collected from all End-users on a monthly basis by the DUs pursuant to R.A. No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, a portion of which is allocated for the provision of integrated power generation and distribution services in unserved and underserved areas not connected to the grid or with in a franchise area where the distribution system is not connected to the grid.
Unserved Area	Refers to an area with no electricity access, no distribution system lines, no home power systems, no connection to any microgrid system, or for which no distribution grid extension has been developed or implemented by the Distribution Utility.

**1.2 Interpretation.** This Contract including its Schedules unless the context otherwise requires, shall be subject to the following rules of interpretation:

- (a) Headings are for convenience only and do not affect the interpretation hereof;
- (b) The singular includes the plural and vice versa;
- (c) Reference to a natural person includes a natural person or a juridical person;
- (d) Reference to a party in any document includes that party's successors and permitted assigns;

- (e) Reference to an Article, Section, Schedule, or Annex is to an article, section of, or annex to this Contract and any such Annex or Schedule referred to should form an integral part hereof unless otherwise stated;
- (f) Unless otherwise provided herein, reference to a document includes an amendment or supplement to, or replacement or motion of, that document;
- (g) “Including” shall not be construed as being by way of limitation and “otherwise” shall not be construed by words with which it is associated;
- (h) Any reference to a governmental ministry, department, authority or agency, shall be construed as including a reference to any governmental ministry, department, authority or agency, which succeeds to the functions thereof;
- (i) The word “reasonable” appearing before “approval”, “consent”, “satisfaction”, or any similar word shall mean that the approval, consent, expression of satisfaction, or other decision to be made as to the particular matter or thing concerned shall not unreasonably be withheld or delayed. Conversely, if the word “reasonable” does not so appear, the approval, consent, expression of satisfaction or other decision to be made may be given or made solely at the unfettered discretion of the Party concerned; and
- (j) The expression “to be best of its knowledge” shall mean to the best of the knowledge and belief of the Party concerned, having made all due and reasonable enquiry.

## 2 Scope of Contract

The Contract shall cover the performance of the generation and distribution service through the supply and delivery of the Load Requirement of the **Barangay -----**, within the agreed Term and in accordance with the terms set forth in this Contract and pertinent rules and regulations.

In consideration of the said supply, MGSP shall collect payment from the end-users for the electricity consumption based on the ERC-approved Subsidized Approved Retail Rate (SARR) in accordance with this Contract. Should the ERC-approved FCRR be greater than the SARR, MGSP shall be entitled to receive the Subsidy Fee by following the Disbursement Procedure for MGSP Subsidy attached as **Schedule 6**.

## 3 Effective Date and Term

**3.1 Effective Date.** The Effective Date hereof shall be the date of the



signing of the Parties hereof. For the avoidance of doubt, notwithstanding the provisional authority as specifically stated in Section 13.4.7 of DC2022-05-0017, the Parties' implementation hereof shall remain subject to the final resolution of the ERC.

**3.2 Term.** This Contract shall have a term of **TWENTY (20) years** commencing on the Actual Commercial Operations Date hereof and expiring on the date on when the earlier of the following events occur:

**3.2.1** On the **20<sup>th</sup> anniversary** of the Actual Commercial Operations Date unless sooner terminated by the Parties in accordance with this Contract; and

**3.2.2** Termination hereof pursuant to Section 9.6 herein.

#### **4 Commercial Operations Period.**

**4.1 Commencement of Commercial Operations Period.** The Parties agree to work together to commence operations at the Target Commercial Operations Date.

**4.2 Conditions to Commencement of Commercial Operations Period.**

On or before the Target Commercial Operations Date or such other date as may be agreed in writing between the Parties subject to DOE approval, the following condition must be met:

**4.2.1 Authority to Operate, Certificate of Compliance, and Government Consents.** All necessary Government Consents and ATO / COC from the ERC for the MGSP operations in the MGSP Service Area as provided in **Schedule 5** hereof and Section 17 of DC2022-05-0017 shall be secured;

**4.2.2 Insurance.** MGSP shall at its own expense keep the DPG and its associated facilities insured against accidental damage from normal risk and to a level normal for prudent operators of facilities similar to the DPG. In addition, MGSP shall secure adequate insurance cover for its employees as may be required by law.

**4.2.3 Certification.** Execution of a certification under oath that the Distribution System complies with the operating parameters in **Schedule 2** and that the Guaranteed Dependable Capacity shall be available in accordance with **Schedule 3**.

**4.2.4 UC-ME Subsidy Account.** NPC shall have set up an ME Subsidy Account where the fund for the payment of the

Subsidy Fee is maintained and fully funded by NPC.

**4.2.5 Master Billing Meter.** MGSP shall have provided and installed an ERC-approved Master Billing Meter for the MGSP Service Area for the purpose of measuring the electric power supplied by its Generating Facilities. The meter shall be located after the main transformer and shall be of 0.2 accuracy class or equivalent and capable of measuring and locally displaying at least the kW, kWh, kVAR, kVARh, and cumulative demand, with time-of-use, maintenance recording and pulse output features.

**4.3 Failure to Achieve Target Commercial Operations Date.** In the event that the conditions in Section 4.2 hereof are not satisfied by the Target Commercial Operations Date, subject to the approval of the DOE, the following provisions shall apply:

**4.3.1 Automatic Extension.** If delay shall be due to an Event of Force Majeure not exceeding ninety (90) days, then the Target Commercial Operations Date shall be adjusted, without need of further agreement or consent, by a period equal to the period of delay, subject to compliance of the procedure set out in Section 7 by the Party invoking Force Majeure.

**4.3.2 Extended Delay.** In the event of any delay of more than ninety (90) days past the Target Commercial Operations Date, the Parties shall meet and consult each other regarding the terms by which this Contract may continue. If the Parties fail to reach an agreement within thirty (30) days from commencement of consultations, the respective Party may exercise its right to terminate this Contract pursuant to the provisions of Section 9.6 hereof.

**4.3.3 MGSP Delay.** If delay shall be due to MGSP default, not exceeding ninety (90) days, then NPC, by notice to MGSP, shall impose a penalty of 0.5% of the total project cost or One Million Pesos (Php1,000,000.00) per day of delay, whichever is higher, in accordance with the NOA payable to the DOE.

**4.3.4** Notwithstanding the Target Commercial Operations Date, if results of tests at a later date show that the Distribution System is incapable of meeting the Load Requirements and/or the Guaranteed Dependable Capacity is not available, then the MGSP shall have to remedy such non-compliance within the Cure Period provided in Section 9.4.1 hereof.

If the MGSP failed to resolve the issue within the Cure Period, it shall be considered a delay pursuant to Section 4.3.3.

**4.4 Early Commercial Operations.** Nothing in this Contract shall

preclude the Parties from commencing with the Commercial Operation Period at a date earlier than the Target Commercial Operations Date, provided that all the conditions in Section 4.2 hereof have been satisfied.

## 5 Obligations of the Parties

**5.1 Scope of Work.** The MGSP shall undertake the design, construction, finance, operation and maintenance of a hybrid Solar PV/Diesel Generator Power Plant with a battery storage system and a smart transmission and distribution network, including associated services such as customer billing and collections, to provide 24/7 electricity services for all existing and projected households in **Barangay -----**.

**5.2 Obligations of MGSP.** The MGSP shall supply the Load Requirement of **Barangay -----** as set forth in **Schedule 2**. MGSP shall likewise have the obligation to apply to the ERC for the approval of the Authority to Operate and Certificate of Compliance as indicated in **Schedule 5**. The MGSP further shall be obliged to perform the following, before, as applicable, and throughout the duration of the Term:

**5.2.1** Build the microgrid system and operate the same not later than the project completion period indicated in the NOA to commence from the execution of this Contract and submit a monthly report on its progress until its commercial operation. The MGSP shall timely complete the microgrid system in accordance with the parameters set in the submitted Unsolicited Proposal. Delays shall be subject to the provisions of this Contract and should there be delays beyond MGSP control, the MGSP can request extension on the said timeline for the approval of the DOE.

**5.2.2** Immediately submit pursuant to issued NOA, the pertinent information on the Special Purpose Vehicle as stated in its Bid Proposal, to include among others, Security Exchange Commission Registration, By-laws and Articles of Incorporation, Board Resolution authorizing its representative to negotiate and enter in MSC with the NPC, latest General Information Sheet, and current Business Permit;

**5.2.3** Comply with relevant provisions of the NOA which are not indicated in this Contract, applicable laws and rules, Good Industry Practice, and the technical parameters set forth in **Schedule 2** on the control and possession, operation and maintenance of the Generation and Distribution System. MGSP shall obtain all necessary Government Consents pursuant to pertinent statutes and regulations of respective agencies and entities;

- 5.2.4** Making available for dispatch the Guaranteed Dependable Capacity either through its own DPG or through third parties in accordance with the standards set forth in **Schedule 3** hereof. Provided that even if the MGSP sources its generation requirements through third parties, the MGSP shall nonetheless remain primarily liable for the availability of the Guaranteed Dependable Capacity. This obligation shall also include making available and arranging for fuel requirements. MGSP shall retain ownership over any DPG;
- 5.2.5** Ensure the acquisition of rights over the land and rights of way by purchase, lease, or any other arrangement for the Distribution System and/or DPG entitling the MGSP to possession and occupation thereof until the termination of the Commercial Operations Period;
- 5.2.6** At the Actual Commercial Operations Date, the MGSP shall obtain and maintain the insurance policies required by Applicable Law and such other insurance covers under commercially reasonable terms, acceptable by NPC. In case of an insurable event affecting or causing damage to the Generation and/or Distribution System, all proceeds of insurance policies received by MGSP shall be used to reinstate the Generation and/or Distribution System;
- 5.2.7** Upon expiration of the Term, MGSP shall have the rights and obligations under Section 17 of the R.A. No. 11646 and observe Section 21 of DC2022-05-0017 “Expiration of MSC”;
- 5.2.8** Execute a certification under oath that the Distribution System complies with the operating parameters in **Schedule 2** and that the Guaranteed Dependable Capacity shall be available in accordance with **Schedule 3**;
- 5.2.9** Secure and comply with all appurtenant requirements necessary for its development of the microgrid system in **Barangay —** and its operation as MGSP in the area as set forth in **Schedule 5** and submit reportorial requirements to DOE and ERC on a regular basis in accordance with current applicable laws and rules, and particularly Section 29.3 of the DC2022-05-0017 “Rules and Regulations to Implement R.A. No. 11646 (Microgrid Systems Act)”. Any reports submitted pursuant to this Section shall be copy furnished to NPC;
- 5.2.10** In the event that the actual load requirements trigger a forecast that will exceed the Load Requirements as set forth in **Schedule 2**, the MGSP shall review its requirement for additional generation and/or distribution assets and first request DOE to approve and issue a Certificate of

Endorsement (“COE”) to apply for ERC approval of the adjusted FCRR. In the meantime, for increase of load requirements and to avoid power interruptions or load shedding in the MGSP service area, the MGSP shall supply the load requirements and recover same approved FCRR for the additional supply within the capacity of the installed generation and/or distribution assets and endeavor its best effort to source additional supply within its capacity as MGSP;

**5.2.11** MGSP shall comply with its all accompanying obligations and responsibilities pursuant to applicable laws, rules and regulations, including but not limited to R.A. No. 11646 and its IRR and R.A. No. 9136 and its IRR, among others;

**5.2.12** Shall comply with the Energy Regulation No. 1-94 “Benefits to Host Communities” and

**5.2.13** The conditions, responsibilities and obligations stated herein apply to MGSP and jointly and severally, to the members thereof, and its assignees, and successors.

### **5.3 Obligations of NPC**

**5.3.1** When applicable, execute Phase-In Phase-Out (PIPO) Agreement with MGSP for the proper and smooth transition of power supply service in the MGSP Service Area prior to the Actual Commercial Operation Date;

**5.3.2** File a petition with the ERC regarding UC-ME collection, recovery, availment and payment;

**5.3.3** Exclusively collect from the DUs, administer, and apply UC-ME;

**5.3.4** Release the UC-ME subsidy within forty-five (45) calendar days pursuant to Section 6 hereof;

**5.3.5** Conduct performance testing, at least once a year, to check compliance with the operating parameters in **Schedule 2** and that the Guaranteed Dependable Capacity shall be available in accordance with **Schedule 3**; and

**5.3.6** Subject to DOE’s endorsement, take-over the operation of the MGSP in the event of termination as provided under Section 9.6 of this Contract.

## **6 Payment of Subsidy Fee to MGSP**

**6.1 Payment of Subsidy Fee.** Payment of the Subsidy Fee shall be made within forty-five (45) calendar days, together with complete

supporting documents contained in the Disbursement Procedure in **Schedule 6**. The ERC Approved rate will be used for the calculation of the Subsidy Fee.

- 6.2 Allocation of Subsidy Fee.** In the event that the approval of the NPC application for adjustment of the ERC-approved UCME is not obtained on time and the remaining UCME allocated for MGSPs is no longer sufficient to cover for the subsidy obligations of all the MGSPs, NPC shall ensure equitable allocation of the remaining UCME to all of the MGSPs. NPC, with the assistance of the MGSP, shall endeavor to exert all efforts to secure the necessary ERC approval.

NPC shall prioritize the UCME funds in accordance with ERC approval to promote and fulfill the obligations under the MGSP Act for the benefit of rural electrification.

Notwithstanding, the MGSP may be allowed to adjust their level of service to the energy that can be supplied by the existing RE system, subject to prior approval from the DOE.

- 6.3 Meter Reading and Fuel Inventory.** A meter reading and fuel inventory taking shall be conducted at the end of each Billing Month (25th day of each calendar month) and shall be witnessed by the duly authorized representative/s of NPC. In the event that any or all of NPC representative/s is/are absent for reasons not due to the fault of the MGSP, the MGSP shall proceed with the meter reading and fuel inventory taking to prevent delay of MGSP's billing to NPC. However, MGSP shall provide NPC full documentation of the meter reading including a dated photograph of the meter readings taken by the MGSP and fuel inventory taking upon delivery of Subsidy Fee Invoice to NPC.

- 6.4 Billing to NPC.** Within ten (10) business days from the end of each Billing Month, MGSP shall deliver to the appropriate NPC Area Manager ("Area Manager") the Subsidy Fee Invoice and its attached documents setting forth the amount of Subsidy Fee due from NPC computed in accordance with the **Schedule 4** hereof and ERC approval.

For uniformity in the computation of the Subsidy Fee, the figures shall be adjusted to four decimals.

- 6.5 Payments.** The amount stated in the Disbursement Voucher (DV) following validation of the Subsidy Fee Invoice under Section 6.4 shall be due and payable within forty-five (45) calendar days from receipt of the Invoice by NPC, provided that all pertinent government auditorial requirements, as listed in **Schedule 7**, have been complied with and that the following terms shall be observed and/or complied with by the Parties at all times:

- 6.5.1** Manner of Payment. All sums indicated in the disbursement voucher shall be paid in Philippine Pesos.
- 6.5.2** MGSP Account. The payment to MGSP shall be made through NPC's regular check, maintained at the Land Bank of the Philippines ("LBP"), in the account name of the MGSP.
- 6.5.3** Except those which are required by law to be withheld by NPC, all payments shall be free and clear of bank draft or delivery charges, set offs, and other similar fees and charges.
- 6.5.4** As part of NPC's obligation to endeavor to cover the subsidy requirements of MGSPs, a yearly projected generation shall be submitted by the MGSP on or before 10th of January of every calendar year as basis of calculation of subsidy requirement and for budget preparation of the following year. Should the budgeted UCME for the year be insufficient due to increase in generation not included in the projection, the payment of UCME shall be limited to the allocated amount for the MGSPs pending the availability of the UCME budget.
- 6.5.5** In compliance with Article V, Section 19 of ERC Resolution No. 17 Series of 2023, unless a Provisional Authority is issued by the ERC allowing the MGSP to operate and the payment of the UCME pending the approval of the COC. Provided however, that the MGSP shall be entitled to receive its subsidy, even without the COC, upon the issuance of the Notice/Acknowledgement or similar document issued by the ERC, pursuant to Sections 13.4.7 and 14.4.7 of the DOE Circular No. 2022-05-0017.
- 6.5.6** Payment of Capacity and Fixed Fee for the recovery of project cost and fix operating cost respectively, shall not exceed the billing determinant in kWh and/or absolute amount to be determined by ERC. However, this is without prejudice to the right of the MGSP to re-apply for adjustment of the rates before the ERC, should any instance warrant the same.
- 6.5.7** MGSP shall provide NPC annually of its Audited Financial Statements every second quarter of the following year until the end of the Term for reference.
- 6.5.8** In extreme cases when the FCRR is lower than the approved SARR, the MGSP shall collect the full SARR from its end-users and remit the said difference (SARR less FCRR) back to the UCME, through the NPC.
- 6.5.9** In case of different interpretation on the application of ERC rates, the MGSP shall seek clarification from ERC. Pending

issuance of ERC clarification, NPC will pay the lowest applicable calculated rate or amount.

**6.5.10** The MGSP is required to submit complete auditory requirements/documents prior to any subsidy payments as provided in **Schedule 7**.

**6.5.11** NPC shall only pay within the bounds of the Provisional or Final ERC Approval, as applicable. Thus, NPC is authorized to cease and/or adjust the payment of the subsidy when it will result to the overpayment beyond the amounts approved in the applicable Approval of the ERC.

**6.5.12** In case MGSP disputes the Subsidy Payment, it shall file the appropriate motion with the ERC. NPC shall only resume payment of the disputed subsidy payment upon the issuance of the appropriate Order specific to this case. Nevertheless, subsidy payments not covered by the disputed billing periods shall be continually paid to this case.”

**6.6** **Issuance of the Final Decision by the ERC.** This provision shall govern once the ERC has issued the final approval for the instant case.

**6.6.1** If the final approval is higher than the rate approved in the provisional approval, NPC shall pay the difference.

**6.6.2** If the final approval is lower than the rate approved in the provisional approval, the MGSP shall refund the same back to the NPC.

**6.6.3** In both instances, NPC and MGSP shall agree on the payment scheme for additional payment or refund of the subsidy. This is without prejudice to the right of the parties to file a Motion for Reconsideration or Appeal to the final decision.

**6.6.4** In the event that ERC approves an FCRR or imposes a SARR that would materially affect the commercial viability of the MGSP or hinder the social acceptance of SARR by the community, the MGSP shall have the right to either submit a motion of reconsideration, as permitted in the ERC's rules of procedure, and seek the DOE's approval for the adjustment of its operations based on the approved FCRR or SARR.

**6.7** **Billing Dispute.** In the event the NPC, upon audit, disputes certain portions of the Subsidy Fee Invoice, as provided in the Disbursement Procedure under **Schedule 6** hereof, the procedure shall be as follows:



- 6.7.1** Following the procedure in **Schedule 6** hereof, the NPC shall disburse the undisputed portion of the Subsidy Fee Invoice to the MGSP.
- 6.7.2** For the Disputed Amounts, NPC Authorized Representative shall set forth the disputes in a written notice to MGSP, expressing in detail the reason for its dispute and requiring the submission of necessary documents as the case maybe. MGSP shall then have five (5) business days from receipt of written notice within which to submit its reply and/or the documents necessary and required to settle the dispute.
- 6.7.3** Upon submission of the reply and/or required documents, NPC shall have ten (10) business days to notify the MGSP if the reply or the submitted documents are satisfactory to settle the dispute. Within five (5) business days from the said notice, NPC shall issue the disbursement voucher for payment.
- 6.7.4** Should the NPC determine that the reply and/or the documents submitted are insufficient to resolve the dispute, NPC shall instead issue, within the same ten (10)-day period, a second notice following the procedure under Section 6.7.2 above. Should the dispute not be resolved within thirty (30) business days, the matter shall be brought to ERC for dispute resolution under Section 10 herein.
- 6.7.5** Disputed amount shall not bear interest/penalties/surcharges pending its resolution and until the final resolution of the dispute.
- 6.7.6** Billing dispute shall not affect future billings which are compliant and bears no defect, thus NPC is obliged to process and pay the same.
- 6.8** **Grounds for Dispute.** The amount invoiced may be disputed in the event that:
- 6.8.1** The complete set of documentary requirements has not been submitted by the MGSP.
- 6.8.2** The Subsidy Fee as indicated in the Subsidy Fee Invoice has been incorrectly calculated based on the figures provided for in the supporting documents.
- 6.8.3** There is an existing/pending Request for Clarification with the ERC concerning the propriety or corrections of the Subsidy Claims.
- 6.8.4** NPC determines that the amount invoiced by the MGSP after examining all the supporting documents submitted with the

Subsidy Fee invoice against the terms, formulas, and other conditions stipulated in the ERC Order approving the same, is incorrect or improper.

## 7 Force Majeure

### 7.1 Events of Force Majeure. Events of Force Majeure shall be:

**7.1.1** Acts of God or other natural calamities, i.e., earthquakes, floods, tsunami/tidal waves, volcanic eruptions, meteorological disasters, pandemics or accidents, explosions or fires caused by any of the above;

**7.1.2** Acts of Man caused by a third party and beyond the control of the Parties, including strikes or lockouts or other industrial action by workers or employees of a Party, and which are unforeseeable or which, though foreseen, are inevitable;

**7.1.3** Any action or failure to act by any Government Authority, including without limitation, expropriation, compulsory acquisition, the denial of or delay in the granting of any Government Consent which the Parties have agreed to waive for an agreed to time period past the Effective Date, the failure of any such Government Consent once granted to remain in full force and effect or to be renewed on substantially similar terms, and any delay in the importation of equipment or supplies into the Philippines resulting from any action or failure to act by Governmental Authority of the Republic of the Philippines, provided that in any of these cases, the affected Party complied with the timely and full submission of requirements published by the Government Authority.

**7.2 Consultation Period.** The Parties shall consult with each other upon the occurrence of the Event of Force Majeure, which consultation period shall not exceed 30 days.

**7.3 Procedure to Claim Force Majeure.** A Party invoking Force Majeure shall follow the procedure below:

**7.3.1 Notice.** No later than five (5) days after the occurrence of the Event of Force Majeure, the Party invoking Force Majeure shall notify the other Party in writing of (i) the occurrence and nature, (ii) the date of commencement, and (iii) the expected duration of the Event of Force Majeure.

**7.3.2 Limitation.** The suspension of performance of obligation resulting from the Event of Force Majeure shall be limited to the scope and duration as may be reasonably required or affected by such event.

**7.3.3 Not excused.** Either Party's failure to perform its obligations

arising before the occurrence of the Event of Force Majeure shall not be excused by the later occurrence of the event.

**7.3.4 Duty to mitigate.** The Party invoking Force Majeure shall make all reasonable efforts to prevent and mitigate the effects of such Event of Force Majeure, and shall use commercially reasonable efforts to resume the regular performance of its obligations in accordance with the terms hereof.

## **8 Indemnification**

**8.1 Cross Indemnity.** Each Party (the “Indemnifying Party”) shall indemnify, defend and hold harmless the other (the “Indemnified Party”), its officers, directors, employees, contractors, and agents from and against all damages, losses and reasonable expenses, including without limitation reasonable legal fees, suffered or paid by the Indemnified Party as a result of any and all claims for personal injury, death or property damage (except economic loss) to third parties due to an event occurring during the Term hereof and arising directly out of or resulting from any act or omission of the Indemnifying Party or its agents or employees, except to the extent that it was caused by any act or omission of the Indemnified Party or the failure by it to take reasonable steps in mitigation thereof. In the event such injury or damage results from the joint or concurrent negligent or intentional act or omission of the Parties, each shall be liable under this Section in proportion to its relative degree of fault.

**8.2 Notice of Claim.** The Indemnified Party shall deliver a notice of claim to the Indemnifying Party within 10 working days after the commencement or actual knowledge of the action that gave rise to such claim. In the event that such notice is not given within the period of claim, the Indemnifying Party’s obligation shall be limited to the amounts that would have been payable had such notice been delivered within the said period.

**8.3 Consequential Losses.** In no case shall any Party be entitled to its indirect or consequential losses or damages, whether or not such losses or damages are subject to the indemnities.

## **9 Breach, Default and Termination**

**9.1 Events of Breach.** Each of the Parties that violates any provision hereof and the failure to remedy the events of default shall constitute Breach. Any occurrence of Breach shall be a ground for the innocent party to terminate this Contract.

**9.2 NPC Default.** In the event that NPC failed to perform its obligations under Section 5.3 hereof, the MGSP shall continue to perform its obligation to operate the Generation and Distribution System for the duration of the Term and shall have the right to continue charging

the difference between the FCRR and SARR to NPC.

For avoidance of doubt, late and/or incomplete payment of the Subsidy Fee by NPC shall not be considered as breach or default when said late payment is due to insufficiency of the UC-ME fund, or due to a dispute pursuant to Section 6.5.12 and 6.7, or due to causes beyond the control of NPC, and shall not bear interests or penalties.

The MGSP may elevate the NPC's default to the DOE prior to filing with the ERC for possible remedies.

- 9.3 MGSP Default.** Failure by MGSP to perform its obligations under Section 5.1 hereof in accordance with the timeline provided, shall entitle the Parties to exercise the remedies provided in this Section.
- 9.4 Effects of Default.** At any time after the occurrence of an Event of Default, the following provisions shall apply:
- 9.4.1 Cure Period.** The Defaulting Party shall have a period of ninety (90) days from the occurrence of the Default within which to cure or remedy its default.
- 9.4.2 Obligations Not Suspended.** During the Cure Period, the Parties shall continue to comply with their respective obligations pursuant to the terms hereof notwithstanding the obligation that is subject to the default.
- 9.5 Failure to Deliver or Under delivery.** The following shall be considered failure to deliver or under delivery of the Load Requirement constituting MGSP default under Section 9.3:
- 9.5.1** Should the MGSP report a SAIDI of more than 14 days over one single month (i.e. which would correspond with 50% availability of services);
- 9.5.2** Should the MGSP report a SAIDI of more than 67.5 days over 90 days (i.e. which would correspond with 25% availability of services).
- 9.6 Termination.** Upon occurrence of the Breach, the Parties may exercise their respective rights to terminate this Contract by giving written notice of its intent to terminate this Contract (the "Termination Notice") and specifying the basis of termination. Such termination shall be effective on the date such notice is received by the other Parties (the "Termination Date").
- 9.7 Termination Upon MGSP Breach.** Upon the MGSP's Breach of Contract after the Effective Date, NPC shall be entitled to the forfeiture of the payment of other sums under this Contract in favor

of NPC. Further, NPC shall endorse the MGSP to the MGSP-SBAC for inclusion in the Blacklisted MGSPs.

**9.7.1 Payment of Other Sums Due and Payable.** Notwithstanding payment of the Termination Fee, both Parties shall be liable for any amounts due and payable prior to the receipt of the Termination Notice.

**9.8 Termination Upon NPC Breach.** Upon serving the Termination Notice by the MGSP to NPC, MGSP shall still be entitled for any amounts due and payable prior to the receipt of the Termination Notice.

**9.9 NPC's Rights and Obligations Upon Termination.** Upon termination hereof due to MGSP's Breach, all of MGSP's rights, title, and interests in the Distribution System, including the assets comprising thereof, shall transfer to NPC and thereupon this Contract and all of the Parties' obligations shall be deemed terminated, except as otherwise specifically provided.

## **10 Change in Law**

The terms and conditions of this contract, including pricing, performance requirements, and any other material provisions, are based on the legal and regulatory framework in effect as of the effective date of this agreement. The parties expressly acknowledge that changes in laws, regulations, or government policies may impact the parties' rights and obligations under this Contract.

**10.1 Change in Law Notice.** In the event of any change in applicable laws, regulations, or government policies that materially affect the performance of either party under this Contract, the affected party shall promptly notify the other party in writing. Such notice shall include a detailed explanation of the changes and their potential impact on the contract. Upon receipt of a Change in Law Notice, the parties shall promptly enter into good faith negotiations to assess and fully address and rectify the impact of the legal changes on the Contract in a timely manner. If it is necessary to amend the MSC, the amendment shall be subject to the approval of the ERC.

**10.2 Change in Law as a Force Majeure Event.** If the change in law results in a situation that would qualify as a force majeure event, the affected party may be entitled to relief under the force majeure provisions of this Contract, subject to compliance with the notice and mitigation requirements specified therein.

**10.3 Effect of Change in Law.** In the event that the change in law directly affects the MGSP's interest in the service area, or the MGSP's actual or reasonably foreseeable economic return (net of tax or other imposition, including without limitation, any withholding or remittance

tax on the payments of dividends) on its investment is materially reduced, prejudiced or otherwise adversely affected, then the MGSP shall have the right to adjust its FCRR, subject to ERC approval, to restore its economic return to its level prior to the occurrence of the event of the change in law.

If a change in law makes it impractical or impossible for either party to perform its obligations under this Contract, the affected party may have the right to suspend performance upon prior approval of the DOE, subject to any applicable notice periods and conditions outlined in this agreement. Parties may also raise the matter to the DOE for possible remedies.

## 11 Disputes

All disputes between the Parties arising from this Contract shall be addressed in the manner noted below.

**11.1 Dispute Notice.** The Party claiming or raising a dispute arising from this Contract shall notify the other Party in writing of its claim and providing sufficient details thereof.

**11.2 Assignment of Committee Representatives.** Each of the Parties shall assign two (2) representatives after the issuance of the dispute notice, duly authorized by the signatories hereof and which shall constitute the Executive Committee to negotiate.

**11.3 Committee Resolution.** Not later than five (5) days from the receipt of the Dispute Notification, the Executive Committee shall meet and discuss to resolve the dispute. Failure to resolve the dispute within ten (10) calendar days from commencement of discussions entitles the Party who raised the dispute to refer the matter in writing to the ERC for its resolution in accordance with Section 11.5.

**11.4 Finality of Decision.** Except in the case of fraud, bad faith or manifest error, the decision of the Executive Committee in Section 11.3 shall be final and binding on the Parties.

**11.5 ERC Resolution of the Dispute.** In case of failure to settle the dispute within the period set forth above or at any time in case of fraud, bad faith or manifest error in the settlement of the dispute, the Party that raised the dispute may refer the matter to ERC for resolution in accordance with pertinent issuances of ERC. For avoidance of doubt, resolution under this Section shall be governed by the applicable rules of the ERC.

## 12 Assignment

This Contract shall be binding upon the Parties hereto, their successors and assignees. The MGSP may assign all or any of its rights or obligations

hereunder to lenders or such other persons solely for the purpose of arranging or rearranging financing for the power and distribution facilities, subject only to prior written notice to NPC. The assignment or transfer by MGSP to lenders or such other persons that may have arranged or rearranged financing for the power facilities shall not relieve MGSP of its obligations under this Contract.

### **13 Confidentiality**

Each Party agrees that, its employees, officers, directors, and agents will hold in confidence all information, documentation, data or know-how disclosed to it by the other Party and designated in writing as “confidential” (“Confidential Information”), and will not disclose to any third party or use Confidential Information or any part thereof without the other Party’s prior written approval; provided, that Confidential Information may be disclosed to: (i) a Government Authority required pursuant to a judicial order, notice or mandated by applicable law; and (ii) financial institutions, bona fide potential investors, consultants, contractors and legal advisors whose duties reasonably require such disclosure, provided that, except for a bona fide disclosure to independent legal advisors, such other party shall first have agreed not to disclose the relevant Confidential Information to any other person for any purposes whatsoever.

These restrictions shall not apply, or shall cease to apply, to any part of the Confidential Information that is in the public domain other than by reason of a breach of this Section, or was in the rightful possession of the recipient Party or an employee, officer, director or agent of the recipient Party at or prior to the time of the disclosure, or was obtained by the recipient Party in good faith from a third party duly entitled to disclose it.

### **14 Miscellaneous**

**14.1 Governing Law.** This Contract shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

**14.2 Regulatory Changes.** In the event of unforeseen regulatory changes affecting subsidies or tariff setting that result in a negative financial impact (e.g. lowering Debt Service Coverage Ratio and IRR) that will ultimately affect the operation of the MGSP, the parties agree to engage in good faith negotiations to assess and quantify the impact. Provided that any changes to the MSC and the FCRR shall be subject to prior approval by the DOE before filing with the ERC.

**14.3 Non-Waiver.** None of the provisions hereof shall be considered waived by either Party except when such waiver is given in writing. The failure of either Party to insist, in any one or more instances, upon strict performance of any of the provisions hereof or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such

rights for the future, but the same shall continue and remain in full force and effect.

**14.4 No Partnership.** Nothing contained in this Contract shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party, or to create any principal/agent relationship between the Parties, or to create any duty, standard of care or liability to any person or entity not a Party hereto. Each Party shall be liable individually and severally for its own obligations under this Contract.

**14.5 Entire agreement.** This Contract, its schedules, and annexes supersede any previous agreement, arrangements or representation between the Parties, whether oral or written, in respect of the subject matter hereof and shall constitute the entire agreement between the Parties in relation thereto.

**14.6 Notices.** Unless otherwise stated, each communication to be made hereunder shall be made in writing and, unless otherwise stated, may be made by letter, delivered in person, by hand, air mail, telex, facsimile or established courier service to the address noted below or such other address as such Party notifies in writing to the other Party from time to time and which notice shall be effective upon receipt.

To: **NPC**      **FERNANDO MARTIN Y. ROXAS**  
President and CEO  
National Power Corporation  
Gabriel Y. Itchon Building, Senator Miriam P. Defensor-  
Santiago Avenue (formerly BIR Road) corner Quezon  
Avenue, Diliman, Quezon City 1100, Philippines  
Tel: (02) 8921-3541  
TeleFax: (02) 8921-2468  
E-mail: [opceo@napocor.gov.ph](mailto:opceo@napocor.gov.ph)

To: **MGSP**      \_\_\_\_\_  
Authorized Representative  
Company Name  
Designation  
Address:  
Tel/Mobile:  
Email:

**14.7 Survival.** The provisions of this Section shall survive termination hereof with respect to an event occurring before the termination.



**14.8 Free and Harmless.** MGSP shall hold NPC, its officials and employees free and harmless from any obligation or responsibilities arising from MGSP's actual operation in the MGSP Service Area concerned including any and all claims and/or liabilities that may arise as a consequence thereof.

**14.9 Separability.** If any provision hereof shall be determined to be invalid, such provision shall be deemed separate and distinct, and the remainder hereof shall remain in full force and effect, provided that the remaining provisions are sufficient to render to each Party the benefits contemplated hereby.

**14.10 Substitute Provision.** In the event any provision or part hereof is declared invalid, the Parties shall meet in good faith to agree, to the fullest extent allowed by applicable law, on a substitute provision that most closely approximates the intention and commercial bargain contained in the invalid provision and amend this Contract accordingly.

**14.11 Amendments.** This Contract may only be amended or modified by a written instrument signed by each of the Parties.

*(This space is left intentionally blank)*

**IN WITNESS WHEREOF**, each of the Parties has caused this Contract to be executed in more than one copy each of which shall be deemed to be an original as of the date of this Agreement.

**NATIONAL POWER CORPORATION  
(NPC)**

\_\_\_\_\_  
**(MGSP)**

**FERNANDO MARTIN Y. ROXAS**  
President and CEO

\_\_\_\_\_  
Authorized Representative  
<Position>, <Company Name>

**Signed in the presence of:**

**EMMANUEL A. UMALI**  
Officer-In-Charge  
Corporate Affairs Group

\_\_\_\_\_  
<Position>  
<Name of the Company>

REPUBLIC OF THE PHILIPPINES        )  
QUEZON CITY        ) S.S.

### ACKNOWLEDGMENT

Before me, a Notary Public for and in Quezon City, Philippines, this \_\_\_\_ day of \_\_\_\_\_, 2024, personally appeared **FERNANDO MARTIN Y. ROXAS**, President and CEO, National Power Corporation, with **NPC ID No. APW20017432** issued on October 5, 2022, at NPC Quezon City, Philippines known to me and known to be the same person who executed the Microgrid System Provider Service Contract, consisting of twenty-nine (29) pages, including the page where this Acknowledgment is written, all pages signed by both Parties and their instrumental witnesses, and he acknowledged before me that the same is his free and voluntary act and deed and that of the Corporation he represents.

**WITNESS MY HAND AND SEAL**, on the date and place first above written.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2024

REPUBLIC OF THE PHILIPPINES )  
\_\_\_\_\_ ) S.S.

### ACKNOWLEDGMENT

Before me, a Notary Public for and in \_\_\_\_\_, Philippines, this \_\_\_\_\_ day of \_\_\_\_\_, 2024, personally appeared \_\_\_\_\_, Authorized Representative of MGSP, with Philippines Identification Card No. \_\_\_\_\_, known to me and known to be the same person who executed the Microgrid System Provider Service Contract, consisting of \_\_\_\_\_ pages, including the page where this Acknowledgment is written, all pages signed by both Parties and their instrumental witnesses, and he acknowledged before me that the same is his free and voluntary act and deed and that of the entity he represents.

**WITNESS MY HAND AND SEAL**, on the date and place first above written.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2024

## **SCHEDULE 1**

Description and Location Map of MGSP Service Area  
(FOR MGSP INPUT)

## **SCHEDULE 2**

### **Distribution System and Load Requirements (FOR MGSP INPUT)**

This Schedule will provide the following:

- Minimum Load Requirements on an Annual Basis. This should be increasing based on projected demand. Ideally, this should be at par with the Distribution Development Plan of the waiving EC so that at the end of the term and the Distribution System is turned over, the MGSP Service Area is aligned with the rest of the Franchise Area. The Load, however, will also vary between MGSP Service Areas. For example, there are areas which do not require 24/7 service. For such areas, the Load Requirements and the Term should be designed accordingly.
- Distribution System Design and Technical Configuration based on Load Requirements.
- Allowable Line Losses
- Number of Connections on an Annual Basis. Like Load Requirement this should increase over time based on growth in the area.
- Line configuration, substations, transformers and other requirements of the Distribution System.
- Maintenance and Upgrade of facilities schedule over the Term.

### **SCHEDULE 3**

#### **Guaranteed Dependable Capacity and DPG (FOR MGSP INPUT)**

This Schedule shall provide the following:

- The available Guaranteed Dependable Capacity (including ancillary and back-up reserve) on an annual basis. As with the Load requirement, this would also increase based on projected growth.
- The technical specifications of the DPG, including substations, tapping points and plant location.
- As with the Load Requirement, the DPG would depend on the requirements of a particular MGSP Area.

## **SCHEDULE 4**

### **FCRR Computations (FOR MGSP INPUT)**

This schedule would provide the formula for the Full Cost Recovery Rate based on the bid of the MGSP, including SARR details and equivalent rates for the subsidy.



## **SCHEDULE 5**

### **Government Consents\***

1. DOE issuance of Notice of Award; and
2. DOE Certificate of Registration for the applicable Renewable Energy Service Contract;
3. Energy Compliance Contract
4. Environmental Compliance Certificate or Certificate of Non-coverage for Distribution System and the DPG, whichever is applicable.
5. ERC approval of the MSC and Authority to Operate (ATO) or Provisional Authority or Interim Relief;
6. DOE issuance of Endorsement to ERC for the Certificate of Compliance; and,
7. ERC issuance of Certificate of Compliance for DPG

#### **Note:**

\* Documents shall be provided and to be attached to this Contract prior to the Actual Commercial Operation Date following Section 4.2 hereof.

## SCHEDULE 6

### Disbursement Procedure for MGSP Subsidy

No.	ACTIVITIES	RESPONSIBLE NPC GROUP
1	Witness / Record / Take Picture of Meter Reading and Fuel & Lube Inventory Taking	<b>SPUG</b>
2	Receive hard copy from MGSP - Billings with complete supporting documents	<b>SPUG</b>
3*	Review and verify as to completeness / authenticity of billing and its supporting documents against its computation of claim	<b>SPUG</b>
4	Prepare Disbursement Voucher, Division Manager to sign Box A2	<b>SPUG</b>
5	Certify DV and all supporting documents	<b>SPUG</b>
6	Endorse DV to CAG thru courier	<b>SPUG</b>
7	Receive DV with billing documents by BSD and thorough check for completeness	<b>CAG</b>
8	Validate billing documents against MSC and ERC Approved Rates	<b>CAG</b>
9	Prepare Billing Computation with Allowable Fuel and Lube Cost to be validated by BSD Personnel	<b>CAG</b>
10	Review and validate Billing Documents by BSD Manager, RMD Manager to sign Box A1 of the DV. Endorse DV Billing to Finance	<b>CAG</b>
11	Receive DV and Memorandum for the Issuance of Clearance to Pay	<b>AFG</b>
12	Conduct pre-audit/examination, coding, and budgeting.	<b>AFG</b>
13	Receive Audited DV from DAMD for VP-CAG signature/approval on Box C of the DV	<b>CAG</b>
14	Return approved DV to DAMD	<b>CAG</b>
15	Receive Approved DV by DAMD and endorse to Treasury Department for Check Preparation or Payment Instruction	<b>AFG</b>
16	Release / Transfer check payments to MGSP.	<b>AFG</b>

Note:

\* Counting of forty-five (45) calendar days will begin upon confirmation and verification of completeness and authenticity of billing and its supporting documents

## SCHEDULE 7

### AUDIT REQUIREMENTS FOR RELEASE OF UC-ME SUBSIDY

#### MICROGRID SYSTEM PROVIDER (MGSP)

##### FIRST CLAIM

	<b>SOURCE</b>
1. Microgrid System Provider Service Contract (MSC)	<b>MGSP</b>
2. Authority to Operate (ATO) issued by the ERC	<b>MGSP</b>
3. Certificate of Compliance issued by ERC (COC)	<b>MGSP</b>
4. Environmental Certificate of Compliance (ECC) issued by DENR	<b>MGSP</b>
5. Certificate of Commercial Operation	<b>MGSP</b>
6. Agreement with Fuel Supplier	<b>MGSP</b>
7. Certificate of Bank Account, if applicable	<b>MGSP</b>
8. DCE / Cost Center Number / Monitoring	<b>NPC-Finance</b>
9. Name / signatory / designation of NPC-SPUG Representative / witness	<b>NPC-SPUG</b>

##### FIRST & SUCCEEDING CLAIMS:

10. Disbursement Voucher (DV) duly signed by respective MGSP / SPUG signatories as per Manual of Approvals	<b>NPC-SPUG</b>
11. Original Billing Invoice	<b>MGSP</b>
12. Electric bill and proof of collection of consumers (OR)	<b>MGSP</b>
13. Picture of meter reading as witnessed by NPC-SPUG representative	<b>MGSP</b>
14. Original Fuel Invoices and OR	<b>MGSP</b>
15. Summary of Fuel Deliveries	<b>MGSP</b>
16. Actual Fuel Cost Calculations	<b>MGSP</b>
17. Fuel Inventory and Consumption Report	<b>MGSP</b>
18. Certificate of Energy (kWh) delivered	<b>MGSP</b>
19. Clearance to Pay	<b>NPC-Finance</b>
20. Signed MOPS	<b>MGSP</b>
21. Report on cumulative energy offtake (12mos) *	<b>MGSP / NPC-SPUG</b>
22. Certificate and computation of plant load factor *	<b>MGSP / NPC-SPUG</b>
23. Certified True Copy of Audited/paid DV *	<b>MGSP / NPC-SPUG</b>
24. Consumer Price Index of applicable billing period (reference/current) **	<b>MGSP</b>

##### Notes:

All other attachments that are not original shall be authenticated.

\* As maybe applicable such as the case of reconciliation of data during resolution of issues.

\*\* Applicable only for MGSPs required to submit Consumer Price Index.