



Philippine Economic Zone Authority

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MEMORANDUM CIRCULAR NO. 2007-0198

DATE : 13 September 2007

TO : Ecozone Locator Enterprises
Ecozone Developers/Operators
Ecozone Administrators/Managers and
Officers-in-Charge (OICs)
Electric Utilities Operating Inside the Ecozone
Generation Companies Operating Inside the Ecozone

FROM : Director General LILIA B. DE LIMA *[Signature]*

SUBJECT : Approved Guidelines in the Registration of Electric
Power Generation Facilities/Utilities/Entities Operating
Inside the Ecozone (B.R. No. 07-393) and Guidelines for
the Supply of Electric Power in the Ecozones
(B.R. No. 07-394)

We are pleased to furnish you the attached copy of the PEZA Certificate of Board Resolution No. 07-393 Guidelines in the Registration of Electric Power Generation Facilities/Utilities/Entities Operating Inside the Ecozones and B.R. No. 07-394 Guidelines for the Supply of Electric Power in the Ecozones.

These guidelines emanate from the Technical Working Group (TWG) which conducted several consultative meetings to assist PEZA in formulating the Implementing Rules and Regulations of Sections 12(c) and 13(d) of the PEZA Charter. The TWG was convened by PEZA pursuant to PEZA Board Resolution No. 07-188 dated 18 April 2007, and is composed of the various stakeholders in the economic zones including representatives from locator enterprises, ecozone developers, industry associations/foreign chambers, and electric power utilities including NPC, Meralco and TransCo.

Having been recently approved by the PEZA Board of Directors, these two (2) guidelines were published September 9, 2007 at the Philippine Star (page B5) and will take effect fifteen (15) days after. Please note that there will be a transition period of sixty (60) days from the first date of effectivity of these Guidelines during which entities currently operating and supplying power within

"Trabaho at kabuhayan sa bawat tao"
President Gloria Macapagal-Arroyo

the ecozones may continue their operations without being subjected to fines or penalties. (Section 9 and 10 of BR No. 07-393 and BR No. 07-394, respectively).

With its full implementation and continuing support of all industry stakeholders including your respective organizations, PEZA is confident that the national leadership's objective of bringing about the desired changes in the power supply industry which are critical in promoting national competitiveness will be achieved.

For the information and guidance of all concerned.

Republic of the Philippines
PHILIPPINE ECONOMIC ZONE AUTHORITY
Roxas Boulevard corner San Luis Street
Pasay City

CERTIFICATE OF BOARD RESOLUTION

This is to certify that at the Board Meeting of the Philippine Economic Zone Authority (PEZA) held on **21 August 2007**, during which a quorum was present, the following resolution was approved:

RESOLUTION NO. 07-393

RESOLVED, That the PEZA Board hereby **APPROVES** the herein "***Guidelines in the Registration of Electric Power Generation Facilities/Utilities/Entities Operating Inside the Ecozones***", as follows:

Pursuant to Secs. 12 (c) and (e), Secs. 13 (b), (c) and (d) of RA 7916, as amended, Part II, Rule III of the Rules and Regulations Implementing RA 7916, as amended, as well as PEZA Memorandum Circular No. 2007-10 issued on 24 April 2007, the PEZA hereby adopts the following guidelines in the registration of utilities operating in the ecozones and electric power intermediaries.

Section 1. Principle

All electric power generation facilities/utilities/entities intending to operate inside the Ecozone are required to register with PEZA.

Section 2. Scope

These Guidelines shall apply to the following:

1. Existing Power Generation Facilities
2. Power Generation Facilities Under Construction
3. New or Proposed Generation Facilities
4. Ecozone Locator Enterprise with Self-Generating Facilities
5. Power Utilities currently operating a power distribution system
6. Power Utilities that shall establish and operate power distribution system
7. Entities that shall act on behalf of a locator in negotiations for securing the desired electric power service

Existing entities already registered as a Utility Enterprise with PEZA need not apply for registration but shall comply with the obligations and responsibilities indicated herein.

Section 3. Definition of Terms

For purposes of these Guidelines, the following definitions shall apply:

1. **"Ecozones"** refer to selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by the relevant Presidential Proclamations. An Ecozone may contain any or all of the following: industrial estates (IEs), export processing zones (EPZ), free trade zones and tourist/recreational centers. An Ecozone may also either be public or private. Unless otherwise indicated, the term shall refer to both public and private Ecozones.
2. **"Ecozone Developer/Operator"** refers to a business entity or concern duly registered with and/or licensed by the PEZA to develop, operate and maintain an Ecozone or any or all of the component IE, EPZ, Free Trade Zone or Tourist/Recreational Center and the required infrastructure facilities and utilities such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, administration building and other facilities as may be required by the PEZA. The term shall include the PEZA and/or the Local Government Unit when by themselves or in joint venture with a qualified private entity, shall act as the Developer/Operator of the Ecozones.
3. **"Power Supplier or Aggregator"** refers to an entity licensed by the Energy Regulatory Commission to act as Retail Electricity Supplier or Wholesale Aggregator pursuant to Republic Act No. 9136, duly registered with PEZA to act on behalf of a locator in negotiations for securing the desired electric power service.
4. **"Ecozone Generation Facility"** refers to a facility for the production of electricity either using conventional fuels or renewable energy technologies with electricity-generating potential like solar energy, mini-hydro, wind, biomass and such other similar technologies.
5. **"Ecozone Locator Enterprise"** refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the PEZA as Ecozone Export Enterprise, Ecozone Domestic Market Enterprise, Ecozone Pioneer Enterprise, Ecozone Free Trade Enterprise, Ecozone Facilities Enterprise, Ecozone Developer/Operator, Ecozone Service Enterprise and Ecozone Tourism Enterprise.

6. **"Ecozone Power Distribution Enterprise"** refers to an entity duly registered as an Ecozone Utility Enterprise and/or authorized by the PEZA to construct and/or operate and maintain the distribution system in the ECOZONES.
7. **"Ecozone Power Generation Enterprise"** refers to an entity duly registered and/or authorized by the PEZA as a Registered Ecozone Utility Enterprise to generate and operate a generation facility inside the Ecozone for commercial purposes.
8. **"Ecozone Self-Generation Facility"** refers to a power Generation Facility owned and constructed by an ECOZONE Enterprise/Locator for its own consumption.
9. **"Open Access"** refers to the system of allowing any qualified Person the use of transmission, and/or Distribution System and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates.
10. **"Person or Entity"** refers to a natural or juridical person, as the case may be.
11. **"PEZA"** refers to the Philippine Economic Zone Authority created under RA No. 7916, as amended.
12. **"PEZA Board"** refers to the PEZA Board of Directors.
13. **"PEZA Management"** refers to the Authority headed by the Director General.
14. **"Philippine Distribution Code"** refers to a compilation of rules and regulations governing electric utilities in the operation and maintenance of their distribution systems which includes, among others, the standards for service and performance, and defines and establishes the relationship of the distribution systems with the facilities or installations of the parties connected thereto.
15. **"Philippine Grid Code"** refers to the set of rules and regulations governing the safe and reliable operation, maintenance and development of the high voltage backbone transmission system and its related facilities.
16. **"RA No. 7916"** refers to the "The Special Economic Zone Act of 1995" as amended by Republic Act No. 8748.
17. **"WESM"** refers to the Wholesale Electricity Spot Market in accordance with RA No. 9136.

Section 4. Procedure for Applying as a Registered Ecozone Power Generation Enterprise

1. Requirements

A Person or Entity intending to register as Ecozone Power Generation Enterprise and establish an Ecozone Generation Facility shall file the application with PEZA by submitting the following:

- a) Duly filled-up and notarized application form and Anti-Graft Certificate;
- b) Business Registration (e.g. SEC Registration, DTI Registration);
- c) Articles of Incorporation and by-Laws (if applicable);
- d) Audited Financial Statements (for the last three years of operation, where applicable);
- e) Board Resolution/Special Power of Attorney designating the company's authorized representative to PEZA;
- f) Project Study which includes the following:
 - (1) Technical aspect (type of Generation Facility, drawing/layout of typical support structure arrangement; complete operational plan, including capacity plan and manpower requirement);
 - (2) Financial aspect (source of funding);
 - (3) Market aspect (prospective clients, current and future demand estimates); and
 - (4) Environmental aspect.
- g) Proof of land ownership or any perfected contract/document confirming the applicant's authority/clearance to use the proposed location as site for power generation;
If the applicant is not the registered owner, a perfected contract/document confirming the applicant's authority/clearance is required.
- h) Favorable endorsement from the Ecozone Developer/Operator or Zone Administrator, whichever is applicable;
- i) Health, safety and environmental Compliance Certificate;
- j) Proposed Generation Rate to Ecozone Locator Enterprises; and
- k) Other documents as may be required by PEZA.

2. **Fees**

- a) Application Fee PhP 3,600.00
- b) Registration Fee PhP 10,000.00

3. **Approval Process**

All applications for registration as Ecozone Power Generation Enterprise and Ecozone Generation Facility shall be subject to PEZA Board approval.

4. **Obligation and Responsibilities**

- a) The Ecozone Power Generation Enterprises shall submit to PEZA its projected five-year annual development plan every 15th of January.
- b) The Ecozone Power Generation Enterprises shall comply with the reportorial requirements prescribed by PEZA including annual audit report.
- c) The Ecozone Power Generation Enterprises shall comply with the technical standards set by PEZA. Unless otherwise prescribed by PEZA, the standards provided in the Philippine Grid and Distribution Codes shall apply.
- d) The Ecozone Power Generation Enterprises shall comply with PEZA's importation guidelines.
- e) The participation of an Ecozone Power Generation Enterprise in the Wholesale Electricity Spot Market (WESM) shall comply with the appropriate PEZA guidelines and standards such as, but not limited to the payment of appropriate taxes and other charges imposed by law. It is understood, however, that it is the responsibility of the Ecozone Power Generation Enterprise to secure all the necessary permits outside the PEZA law, rules and guidelines including the membership criteria as prescribed under the Market Rules for its participation in the WESM.
- f) A one centavo per kilowatt hour (P0.01/kWh) sales shall be set aside to communities hosting the power generation facility following the rules and regulations and applicable orders and circulars to implement Section 5(i) of Republic Act No. 7638.

5. A PEZA-registered Ecozone Power Generation Enterprise shall be entitled to the special 5% Gross Income Tax incentive specific to its operations inside the ecozones.

Section 5. Procedure for Applying as a Registered Ecozone Self-generating Facility

1. An Ecozone Locator Enterprise with existing self-generation facilities, whether used for its own stand-by/back-up or base-load shall submit to PEZA their electrical and mechanical permits issued by the PEZA Building Official which shall serve as basis of PEZA registration. Similarly, submission of registration/recognition by other government agencies shall also serve as basis of PEZA's registration.
2. An Ecozone Locator Enterprise intending to register a self-generating facility shall file the application with PEZA by submitting the following:
 - a) Favorable endorsement from the Ecozone Developer/Operator or Zone Administrator, whichever is applicable;
 - b) Health, safety and environmental Compliance Certificate; and
 - c) Other documents as may be required by PEZA.
3. **Fees**
 - a) Application Fee PhP 1,200.00
 - b) Registration Fee PhP 2,000.00
4. **Approval Process**

All applications for registration as Ecozone Self-Generating Facility shall be subject to PEZA Board approval.
5. **Obligation and Responsibilities**
 - a) The Ecozone Locator Enterprise that sources its power requirements solely or partially from its Ecozone Self-Generating Facility shall submit to PEZA its five-year projected consumption every 15th of January.

- b) The Ecozone Locator Enterprise with Ecozone Self-Generating Facility shall comply with the reportorial requirements prescribed by PEZA including annual audit report.
- c) The Ecozone Locator Enterprise with Ecozone Self-Generating Facility shall comply with the technical standards set by PEZA. Unless otherwise prescribed by PEZA, the standards provided in the Philippine Grid and Distribution Codes shall apply.
- d) The Ecozone Locator Enterprise with Ecozone Self Generating Facility shall comply with PEZA's importation guidelines for the fuel and other supplies/materials in the operation of the registered self-generating facility.
- e) The participation of the Ecozone Locator Enterprise with Ecozone-Self Generating Facility to the Wholesale Electricity Spot Market (WESM) shall comply with the appropriate PEZA guidelines and standards such as, but not limited to the payment of appropriate taxes and other charges imposed by law. It is understood, however, that it is the responsibility of the said Ecozone Locator Enterprise to secure all the necessary permits, outside the PEZA law, rules and guidelines including the membership criteria as prescribed under the Market Rules for its participation in the WESM.

Section 6. Procedure for Applying as a Registered Ecozone Power Supplier or Aggregator

1. Requirements

A Person or Entity intending to register as Ecozone Power Supplier or Aggregator shall file the application with PEZA by submitting the following:

- a) Duly filled-up and notarized application form and Anti-Graft Certificate;
- b) Business Registration/License;
- c) Board Resolution/Special Power of Attorney designating the company's authorized representative to PEZA;
- d) Project Study;
- e) Minimum capitalization and technical expertise, provided that the applicant's submission of a certified true copy of its valid certificate or license as Retail Electricity Supplier or Wholesale Aggregator, issued by the Energy Regulatory Commission, shall be accepted by the PEZA as proof of sufficient capitalization and technical expertise; and
- f) Other documents as may be required by PEZA.

2. Fees

- a) Application Fee PhP 1,200.00
- b) Registration Fee PhP 2,000.00

3. Approval Process


All applications for registration as Ecozone Power Supplier or Aggregator shall be subject to PEZA Management approval.

4. Obligation and Responsibilities

- a) The Ecozone Power Supplier or Aggregator shall be responsible to offer its services to the Ecozone Locator Enterprise. Such services shall be supported with appropriate contract that shall among others, authorize the Ecozone Power Supplier or Aggregator to negotiate in behalf of the Ecozone Locator Enterprise the desired supply and delivery of generated electric power.
- b) The Ecozone Power Supplier or Aggregator shall comply with the reporting requirements set by PEZA.

Section 7. Procedure for Applying as a Registered Ecozone Power Distribution Enterprise**1. Requirements**

A Person or Entity intending to register as Ecozone Power Distribution Enterprise shall file the application with the PEZA by submitting the following:

- a) Duly filled-up and notarized application form and Anti-Graft Certificate;
 - b) Business Registration (e.g. SEC Registration, DTI Registration);
 - c) Articles of Incorporation and by-Laws (if applicable);
 - d) Audited Financial Statements (for the last three years of operation, where applicable);
 - e) Board Resolution/Special Power of Attorney designating the company's authorized representative to PEZA;
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- f) Project Study which includes the following:
- (1) Technical aspect (drawing/layout of typical support structure arrangement; complete operational plan, including capacity plan and manpower requirements);
 - (2) Financial aspect (source of funding);
 - (3) Market aspect (prospective clients, current and future demand estimates); and
 - (4) Environmental aspect.

Provided that, submission by the applicant to PEZA of a certified true copy of its valid certificate or license to operate a distribution utility issued by the Energy Regulatory Commission shall be deemed compliance with the requirement for the submission of a Project Study.

- g) Proof of land ownership or any perfected contract/document confirming the applicant's authority/clearance to use the proposed location as site for power distribution, including rights of way.

If the applicant is not the registered owner, a perfected contract/document confirming the applicant's authority/clearance is required;

- h) Favorable endorsement from the Ecozone Developer/Operator or Zone Administrator, whichever is applicable;
- i) Health, safety and environmental Compliance Certificate (if required);
- j) Application for the Proposed Distribution Rate; and
- k) Other documents as may be required by PEZA.

2. Fees

- a) Application Fee PhP 3,600.00
- b) Registration Fee PhP 10,000.00

3. Approval Process

All applications for registration as Ecozone Power Distribution Enterprise shall be subject to PEZA Board approval.

4. Obligation and Responsibilities

- a) Operations of the Ecozone Power Distribution Enterprise shall be regulated by PEZA and as such the Ecozone Power Distribution Enterprise shall comply with all the regulatory requirements of PEZA.

- b) Ecozone Power Distribution Enterprise shall file an annual report on or before 30th May of each year, for the previous calendar year. The annual report shall contain the following information:
- i. The total amount of gross receipts from the sales of electricity in the Ecozone;
 - ii. The total amount of electricity sold in kwh in the Ecozone;
 - iii. Total amount of electricity purchased or generated to supply its Ecozone requirements;
 - iv. Number of customers being served;
 - v. Customers technical and financial profile;
 - vi. Project development program;
 - vii. Latest Audited Financial Statement; and
 - viii. Other information that may be required by PEZA.
- c) Ecozone Power Distribution Enterprise shall provide open and non-discriminatory access to the Ecozone Distribution System.
- d) Ecozone Power Distribution Enterprise shall comply with the technical and performance standards set by PEZA.
- e) Ecozone Power Distribution Enterprise shall comply with PEZA's importation guidelines.
- f) Ecozone Power Distribution Enterprise shall serve as the default supplier of Ecozone Locator Enterprises in the event that the Ecozone Locator Enterprises fail to enter into bilateral contracts with entities of their choice to supply electric power. Generation rates shall not be subject to PEZA regulations.
- g) Ecozone Power Distribution Enterprise shall provide metering services until such time that PEZA has registered the appropriate service providers that shall operate in the Ecozones.
5. A PEZA-registered Ecozone Power Distribution Enterprise shall be entitled to the special 5% Gross Income Tax incentive specific to its operations inside the ecozones.

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Section 8. Penalties

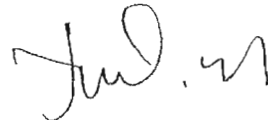
1. Only PEZA-registered entities shall be allowed to operate inside the ecozones.
2. In the case of existing entities operating a Power Distribution System inside the ecozone, failure to register within thirty (30) calendar days from the effectivity of these guidelines shall entitle the Authority to impose appropriate fines and penalties on the Developer who is responsible to establish and maintain the appropriate infrastructure including public utilities, based on a schedule of penalties to be issued by the PEZA Board, and allow the PEZA Board to determine the new distribution rates to be charged to the Ecozone Locator Enterprises based on information currently available to the PEZA Board.
3. Any violation or default in the performance of the covenants and obligations set forth in this Registration Guidelines by the Registrant shall constitute a ground for the revocation of the registration if no corrective or remedial measures satisfactory to PEZA are instituted within thirty (30) days from written notice of such violation or default. PEZA, however, shall be compensated for all the damages that it may have suffered by reason of such violation or default.

Section 9. Transition Period

For the period commencing on the first date of effectivity of these Guidelines and sixty (60) days thereafter, unless otherwise extended by the PEZA Board, Entities currently operating and supplying power within the ecozones can continue their operations, notwithstanding clause 1 of Section 8, without being subjected to fines or penalties.

Section 10. Effectivity

These Guidelines shall take effect fifteen (15) days following the publication once in a newspaper of general circulation.



JENNY JUNE G. ROMERO
Acting Corporate Secretary

Republic of the Philippines
PHILIPPINE ECONOMIC ZONE AUTHORITY
Roxas Boulevard corner San Luis Street
Pasay City

CERTIFICATE OF BOARD RESOLUTION

This is to certify that at the Board Meeting of the Philippine Economic Zone Authority (PEZA) held on **21 August 2007**, during which a quorum was present, the following resolution was approved:

RESOLUTION NO. 07-394

RESOLVED, That the PEZA Board hereby **APPROVES** the herein "*Guidelines for the Supply of Electric Power in the Ecozones*", as follows:

Pursuant to Secs. 12 (c) and (e), Secs. 13 (b), (c) and (d) of RA 7916, as amended, as well as PEZA Memorandum Circular No. 2007-10 issued on 24 April 2007, the PEZA hereby adopts the following guidelines in the provision of generated electric power in the Ecozones.

Section 1. Principle

All Ecozone Locator Enterprises may enter into bilateral contracts with entities of their choice to ensure adequate quantity and quality of electric power at the best terms and most reasonable cost within Ecozones.

Section 2. Scope

These Guidelines shall apply to the following:

1. Ecozone Locator Enterprise
2. Ecozone Power Generation Enterprise
3. Ecozone Enterprise operating Self-Generating Facilities
4. Ecozone Power Supplier or Aggregator
5. Ecozone Power Distribution Enterprise
6. Distribution Utilities Operating Inside the Ecozone

Section 3. Definition of Terms

For purposes of these Guidelines, the following definitions shall apply:

1. **"Distribution Utility"** refers to any electric cooperative (EC), private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a Distribution System in accordance within its franchise and the Act. The Distribution Utility may include that which operates outside the Ecozones.
2. **"Ecozones"** refer to selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by the relevant Presidential Proclamations. An Ecozone may contain any or all of the following: industrial estates (IEs), export processing zones (EPZ), free trade zones and tourist/recreational centers. An Ecozone may either be public or private. Unless otherwise indicated, the term shall refer to both public and private Ecozones.
3. **"Ecozone Developer/Operator"** refers to a business entity or concern duly registered with and/or licensed by the PEZA to develop, operate and maintain an Ecozone or any or all of the component IE, EPZ, Free Trade Zone or Tourist/Recreational Center and the required infrastructure facilities and utilities such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, administration building and other facilities as may be required by the PEZA. The term shall include the PEZA and/or the Local Government Unit when by themselves or in joint venture with a qualified private entity, shall act as the Developer/Operator of the Ecozones.
4. **"Ecozone Power Supplier or Aggregator"** refers to an entity duly registered by PEZA to act on behalf of a locator in negotiations for securing the desired electric power service.
5. **"Ecozone Generation Facility"** refers to a Generation Facility responsible for the production of electricity in the Ecozones.
6. **"Ecozone Locator Enterprise"** refers to an individual, association, partnership, corporation or other form of business organization which has been registered with the PEZA as Ecozone Export Enterprise, Ecozone Domestic Market Enterprise, Ecozone Pioneer Enterprise, Ecozone Free Trade Enterprise, Ecozone Facilities Enterprise, Ecozone Developer/Operator, Ecozone Service Enterprise and Ecozone Tourism Enterprise.

7. **"Ecozone Power Distribution Enterprise"** refers to an entity duly registered as an Ecozone Utility Enterprise and/or authorized by the PEZA to construct and/or operate and maintain the distribution system in the Ecozones.
8. **"Ecozone Power Generation Enterprise"** refers to an entity duly registered and/or authorized by the PEZA as a Registered Ecozone Utility Enterprise to generate and operate a generation facility inside the Ecozone for commercial purposes.
9. **"Ecozone Self-Generation Facility"** refers to a power Generation Facility owned and constructed by an Ecozone Locator Enterprise for its own consumption.
10. **"Generation Company"** refers to any person or entity authorized by the ERC to operate facilities used in the generation of electricity. The Generation Company supplies power through the Grid and operates outside the Ecozones.
11. **"Generation Facility"** refers to a facility for the production of electricity either using conventional fuels or renewable energy technologies with electricity-generating potential like solar energy, mini-hydro, wind, biomass and such other similar technologies.
12. **"Grid"** refers to the high voltage backbone system of interconnected transmission lines, substations and related facilities, in accordance with the law.
13. **"Open Access"** refers to the system of allowing any qualified Person the use of transmission, and/or Distribution System and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates.
14. **"Person or Entity"** refers to a natural or juridical person, as the case may be.
15. **"PEZA"** refers to the Philippine Economic Zone Authority created under RA No. 7916, as amended.
16. **"Philippine Distribution Code"** refers to a compilation of rules and regulations governing electric utilities in the operation and maintenance of their distribution systems which includes, among others, the standards for service and performance, and defines and establishes the relationship of the distribution systems with the facilities or installations of the parties connected thereto.

17. **"Philippine Grid Code"** refers to the set of rules and regulations governing the safe and reliable operation, maintenance and development of the high voltage backbone transmission system and its related facilities.
18. **"RA No. 7916"** refers to the "The Special Economic Zone Act of 1995" as amended by Republic Act No. 8748.
19. **"Supplier"** refers to any person licensed by the ERC to sell, broker, market or aggregate electricity to end-users. The term shall also include Aggregator.
20. **"WESM"** refers to the Wholesale Electricity Spot Market in accordance with RA No. 9136.
21. **"WESM Rules"** refer to the detailed rules that govern the administration and operation of the WESM.

Section 4. General Guidelines in Contracting Electric Power

1. All Ecozone Locator Enterprises, individually or collectively as a group, or through representations by the PEZA registered Developer/Operator, or Ecozone Association may negotiate and enter into bilateral generated electric power supply contracts with any or a combination of the following:
 - a. Entities operating outside the ecozone:
 - i. Generation Company supplying power through the grid
 - ii. Supplier which sourced its power from the grid
 - b. Duly registered Ecozone Power Generation Enterprise operating inside a particular Ecozone or another Ecozone

All are authorized to negotiate with the above-cited entities of their choice.
2. An Ecozone Locator Enterprise may also establish an Ecozone Self-Generation Facility and generate electric power to supply its own operation in the Ecozone subject to PEZA registration requirements.
3. The PEZA-registered Ecozone Power Distribution Enterprise shall serve as the default supplier of Ecozone Locator Enterprise in the event that the Ecozone Locator Enterprise fails to enter into bilateral contract with a Generation Entity or Supplier to supply electric power.
4. Each Ecozone Locator Enterprise has the option of contracting the services of an Ecozone Power Supplier or Aggregator to negotiate in its behalf electric power supply contracts with any Generation Entity or Supplier.

5. PEZA shall provide a list of registered Ecozone Power Supplier or Aggregator to all Ecozone Locator Enterprises.
6. In entering into bilateral electric power supply contracts, all Ecozone Locator Enterprises and Ecozone Power Distribution Enterprises acting as default supplier shall be responsible for the following:
 - a. To determine the projected electric power requirements to be contracted with any Generation Entity or Supplier;
 - b. To determine the provision for ancillary services and back-up and/or replacement service;
 - c. To identify point where electric power is to be delivered and metered by the contracting Generation Entity or Supplier;
 - d. To identify the time of delivery and quantity (in kwh volumes and MW capacity) of electric power to be delivered by the Generation Entity or Supplier;
 - e. To contract with any other party(ies) for the wheeling/delivery of the generated electric power contracted with any Generation Entity or Supplier; and
 - f. To comply with all existing as well as all future PEZA requirements and applicable laws.
7. All bilateral electric power generation supply contracts entered into by the Ecozone Locator Enterprise or Ecozone Power Distribution Enterprise acting as default supplier with a Generation Entity or Supplier shall, at the minimum specify, the following:
 - a. Purchase price/price profiles (Ecozone Locator Enterprise or Ecozone Power Distribution Enterprise acting as default supplier shall not pay any franchise tax);
 - b. Volume Requirement and MW cap;
 - c. Point/s of Power Delivery; and
 - d. Duration of Contract.

A proposed term sheet is attached to guide the Ecozone Locator Enterprise or Ecozone Power Distribution Enterprise acting as default supplier in negotiating with the Generation Entity or Supplier.
8. All existing power supply agreements entered into by the Ecozone Developer/Operator or the authorized PEZA officials for and in behalf of the Ecozone Locator Enterprises shall remain in force until the full term of the agreements. However, existing agreements may be renegotiated or amended as mutually agreed upon by all parties concerned. Ecozone Locator Enterprises within such Ecozones may enter into new bilateral contracts for power requirements not currently covered by the existing agreements.

9. For monitoring purposes the following shall be submitted by all Ecozone Locator Enterprises/Developers/Operators/Ecozone Power Distribution Enterprise acting as default supplier to PEZA:
- a. Copies of existing bilateral power generation supply contracts within thirty (30) calendar days from the issuance of these Guidelines.
 - b. New bilateral power generation supply contracts within thirty (30) calendar days from signing of the contracts. All contracts shall be maintained as private documents and held confidential.
 - c. Projected five-year annual electric power requirements every 15th of January.

All contracts shall be held confidential.

Section 5. Contracting Generated Electric Power Sourced from the Grid

1. All Generation Companies or Suppliers operating outside the Ecozone and contracting with Ecozone Locator Enterprises or Ecozone Power Distribution Enterprises acting as default supplier must be duly authorized by ERC before it can offer electric power to any Ecozone Locator Enterprise. Such entities shall not be eligible to any tax incentives as provided under RA 7916, as amended.
2. The Ecozone Locator Enterprise and the contracting Generation Company or Supplier shall pay TransCo its authorized wheeling rates and Ecozone Power Distribution Enterprise the PEZA-authorized distribution wheeling rates for the delivery of the electric power as well as the billing and metering of the services provided.
3. Until such time that PEZA has registered the appropriate Ecozone Power Distribution Enterprise and/or other service providers that shall operate in the Ecozones, the entity currently distributing electric power in the Ecozone shall provide the metering services to the contracting Generation Company or Supplier. The Ecozone Locator Enterprise shall report to the PEZA non-compliance with this provision. However, the Ecozone Locator Enterprise and the contracting Generation Company or Supplier may mutually agree on other metering and billing procedures, terms and conditions.

Section 6. Contracting Generated Electric Power Sourced from the Registered Ecozone Power Generation Enterprise in the Ecozone

1. No Person shall be allowed to establish an Ecozone Power Generation Facility and generate electric power for commercial operation in the Ecozone unless such Person is duly registered as an Ecozone Power Generation Enterprise by PEZA.
2. The Ecozone Power Generation Enterprise may offer the generated electric power to Ecozone Locator Enterprise or Ecozone Developer or Ecozone Power Distribution Enterprise acting as default supplier within the ecozone where the Ecozone Power Generation Facility is located.
3. The Ecozone Locator Enterprise and the Ecozone Power Generation Enterprise shall negotiate with the Ecozone Power Distribution Enterprise on the delivery of the electric power as well as the billing and metering of the services provided until PEZA has registered other service providers.
4. The Ecozone Power Generation Enterprise may likewise offer the generated electric Power to Ecozone Locator Enterprise or Ecozone Developer of another Ecozone. In this regard it shall coordinate with TransCo/Distribution Wheeling Utilities on the delivery of the electric power to the Ecozone Locator Enterprise of another Ecozone as well as the billing and metering of the services provided, subject to the WESM Rules in respect of WESM members and all other applicable laws.
5. An Ecozone Power Generation Enterprise shall comply with the same technical, financial and environmental standards of the Philippine Grid Code and Philippine Distribution Code and such appropriate standards as may be prescribed by PEZA specific to the requirements of the Ecozone where the generated power is supplied.
6. The participation of an Ecozone Power Generation Enterprise in the wholesale electricity spot market (WESM) shall comply with the appropriate PEZA guidelines and standards such as, but not limited to the payment of appropriate taxes and other charges imposed by law, as well as WESM Rules and all other applicable laws.
7. An Ecozone Power Generation Enterprise shall submit to PEZA its projected five-year annual development plan every 15th of January.
8. An Ecozone Power Generation Enterprise shall be granted with incentives as provided under RA No. 7916, as amended.

Section 7. Contracting Transmission Services

1. As may be necessary, all Ecozone Locator Enterprises, individually or collectively as a group, or through representations by the Developer/Operator, or Ecozone Association shall contract with TransCo the transmission of purchased electricity and/or all ancillary services from any Generation Entity or Supplier.
2. The Ecozone Locator Enterprise shall pay TransCo the authorized wheeling rates. Such rate shall not discriminate against any Ecozone.
3. Each Ecozone Locator Enterprise has the option of contracting the services of an Ecozone Power Supplier or Aggregator to negotiate in its behalf with TransCo.
4. All transmission service agreements entered by the Ecozone Locator Enterprise and TransCo shall, among others, specify the following:
 - a. Transmission Charge;
 - b. Operating Voltage;
 - c. Load factor and Power Factor;
 - d. Duration of Contract; and
 - e. Discounts and Penalties.
5. All Ecozone Locator Enterprises shall submit to PEZA copies of existing transmission service agreements within thirty (30) calendar days from the issuance of these Guidelines. All contracts shall be held confidential.
6. All Ecozone Locator Enterprises shall submit to PEZA future transmission service agreements within thirty (30) calendar days from signing the agreement. All contracts shall be held confidential.

Section 8. Contracting Distribution Wheeling Service

1. As may be necessary, all Ecozone Locator Enterprises, individually or collectively as a group, or through representations by the Developer/Operator, or Ecozone Association shall contract with the relevant Distribution Utility operating outside the Ecozone for the wheeling of electricity and/or all ancillary services from any Generation Entity or Supplier supplying power through the distribution system and sub-transmission assets of such Distribution Utility.


2. Each Ecozone Locator Enterprise has the option of contracting the services of an Ecozone Power Supplier or Aggregator to negotiate in its behalf with the relevant Distribution Utility.
3. Such Distribution wheeling service agreement shall, among others, specify the following:
 - a. Distribution Wheeling Services and Charges/Terms;
 - b. Payment of the applicable Universal Charge;
 - c. Duration of Contract; and
 - d. Discounts/Penalties.
4. All Ecozone Locator Enterprises shall submit to PEZA copies of existing distribution wheeling service agreements within thirty (30) calendar days from the issuance of these Guidelines. All contracts shall be held confidential.
5. All Ecozone Locator Enterprises shall submit to PEZA future distribution wheeling service agreements within thirty (30) calendar days from signing of the agreement. All contracts shall be held confidential.

Section 9. Penalties

Any violation or default in the performance of the covenants and obligations set forth in these Guidelines shall constitute a ground for the revocation of the registration if no corrective or remedial measures satisfactory to PEZA are instituted within thirty (30) days from written notice of such violation or default. PEZA, however, shall be compensated for all the damages that it may have suffered by reason of such violation or default.

Section 10. Transition Period

For the period commencing on the first date of effectivity of these Guidelines and sixty (60) days thereafter, unless otherwise extended by the PEZA Board, Entities currently operating and supplying power within the ecozones can continue their operations without being subjected to fines or penalties.



Section 11. Effectivity

These Guidelines shall take effect fifteen (15) days following the publication once in a newspaper of general circulation.



JENNY JUNE G. ROMERO
Acting Corporate Secretary

Annex A of PEZA Board Resolution No. 07-394**PROPOSED TERM SHEET ON THE SUPPLY OF ELECTRICITY**

ECOZONE LOCATOR ENTERPRISE NAME (Customer) :
 OFFICE ADDRESS:

GENERATION ENTITY/ECOZONE POWER GENERATION ENTERPRISE NAME
 (Supplier):
 OFFICE ADDRESS :

I. ELECTRICITY PRICE:

A. Basic Generation Rate (indicate profile if any, e.g. peak-offpeak; time-of-use). This has to correspond to either:

- contracted volume commitments with time-of-use (hourly, peak-offpeak) profile and hourly rates, or
- a revenue commitment subject a time-of-use profile with a MW load cap or load factor
- flat rate subject to a MW-load cap or load factor

Rate is meant to recover, among others, the following:

- Capital cost recovery
- Return (may be subsumed in Capital Cost Recovery)
- Fixed O&M
- Variable O&M
- Fuel

B. Adjustments/Escalators/Indexation for various components of basic generation rate

- 1) Fuel (may be linked to international fuel index)
- 2) Inflation (US, Philippines, other);
- 3) Foreign Currency Exchange Rates;
- 4) Make-whole provisions for certain items e.g. change in laws/taxes, pass-through items/events;
- 5) Others

C. Surcharges for consumption above the contracted level

Parties may agree on an upper band/cap (e.g. 5% above contracted levels), beyond which supplier no longer has the obligation to serve, or rate may be subject to a premium.

Parties may agree on a lower band/floor (e.g. 5% below contracted levels), below which customer still has to pay take-or-pay measured at floor.

D. Late Payment Penalties, Prompt Payment Discounts and other penalties/fees/incentives

- E. The electricity price is exclusive of wheeling charges of TransCo/DU, Ancillary Service and E-VAT charges.
- F. Contract for Difference (CFD) – Optional, but may be necessary if contract is settled within WESM. CFD allows buyer and seller to realize contract price as it requires one party to reimburse or receive additional payment from the other, if there is a discrepancy between the WESM price and contract price.

II. CONTRACT PERIOD :

III. METERING, BILLING AND COLLECTIONS:

IV. PAYMENT TERMS : Payment of the Power Bill shall be in any currency, but usually in U.S. Dollars (US\$) or its equivalent in Philippine Peso subject to adjustment/escalation/indexation factors every 25th of each month.

- A. Payment shall be every 25th of each month.
- B. Mode of Payment:
- C. Late Payment
- D. Security/Prudential Requirements (optional) – may be in form of cash, manager's/cashier's check, Letter of credit or guarantee or performance bond from creditworthy bank to support obligations over a period of time (e.g. 90 days)

V. CONTRACT ENERGY/REVENUES:

- A. For the whole duration of the contract, the energy off-take shall be as follows:

Contract should specify volume commitments for each relevant period (e.g. year, month, week, day, hour) but subject to MW cap (or a load factor).

Alternatively, instead of volume commitments per period, revenue commitments may be also be applicable and relevant, provided that consumption is subject to a MW cap/load factor and time-of-use rates. Customer therefore has flexibility as to when it can consume electricity, provided that the value of its consumption in a given period is equal to or above its revenue commitment.

Contracted volumes/revenues represent firm take-or-pay commitments, above which supplier no longer has obligation to serve consumption. As described above, the contracted volumes may be subject to a band.

- B. Consumption not covered by contracts shall be deemed supplied by the WESM and should be settled based on the WESM Rules. Default Supplier Provisions shall apply.
- C. Allowances for planned/maintenance outages and forced outages

VI. POWER DELIVERY:

- A. DELIVERY POINT : indicate specific node/s
- B. DELIVERY VOLTAGE : indicate deliver voltage

VII. TRANSMISSION AND SUB-TRANSMISSION SERVICES: (to be negotiated by both the Supplier and the Customer with the appropriate service providers to enable the contracted electricity be delivered to the Customer. This may have to be covered by a separate agreement.)

- A. WHEELING CHARGES:
- B. PAYMENT TERMS:

VIII. BACK-UP POWER/REPLACEMENT POWER (optional)

- A. TERMS
- B. CHARGES
- C. PAYMENT TERMS

IX. ANCILLARY SERVICES (optional, may be covered by a separate contract)

X. OTHER TERMS AND CONDITIONS:

A. Events of Default

B. *Pre-Termination and Buyout Price*: In principle, buyout price should reflect value of remaining portion of contract.

C. *Settlement of Disputes*:

- 1) The Parties shall exert reasonable efforts to amicably settle all disputes arising in connection with this Contract,
- 2) To be negotiated. Options for settlement would include:
 - Philippine Arbitration Law (RA 876). The proper court covering the principal office of SUPPLIER or CUSTOMER may have jurisdiction over such arbitration. This may be preferred option if both supplier and customer are Filipino entities;
 - International Arbitration (e.g. ICSID, UNCITRAL). This may be preferred or relevant option if at least one of parties is a foreign entity.

D. *Force Majeure*

- Parties to negotiate allocation of Force Majeure risks, including consequences, relief and penalties for failure to deliver electricity, and failure to accept electricity, due to Force Majeure;

E. *Change in Law*

F. Assignment/Transferability: specify financial criteria that has to be satisfied by assignee

G. *Conditions Precedent/Effectivity*.

FOR SUPPLIER

FOR CUSTOMER:

President

Date: _____

President

Date: _____

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