



Republic of the Philippines
Energy Regulatory Commission
Pacific Center, San Miguel Avenue, Pasig City

TERMS OF REFERENCE

for the

**APPOINTMENT OF REGULATORY RESET EXPERT
FOR THE REVIEW OF THE HISTORICAL AND BUDGET
EXPENDITURE OF THE NATIONAL GRID CORPORATION OF
THE PHILIPPINES FOR THE THIRD REGULATORY PERIOD
UNDER PERFORMANCE BASED REGULATION**

November 23, 2009

Republic of the Philippines
Energy Regulatory Commission
Pacific Center, San Miguel Avenue, Pasig City

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1. INTRODUCTION

1.1. Background

The Energy Regulatory Commission (Commission or ERC) is the independent regulatory body for the Philippines electric power industry. It is in the process of reviewing the application of the National Grid Corporation of the Philippines (NGCP) for a determination of the maximum allowed revenue (MAR) that it will be entitled to receive from the provision of regulated transmission services for each year of the five (5) year period from January 1, 2011 to December 31, 2015 (the third regulatory period).

The mechanism for the calculation of the MAR and the procedure and timelines for the introduction of this revenue cap, are described in the *Rules for Setting Transmission Wheeling Rates from 2003 to around 2027* (RTWR), which was released by the Commission on September 16 2009¹. The Commission's interpretation of the RTWR and its intention with regard to the reset process for the Third Regulatory Period for NGCP was described in a position paper *Regulatory Reset for the National Grid Corporation of the Philippines (NGCP) for 2011 to 2015, Position Paper* (Position Paper) which was issued on September 9, 2009².

An important requirement of the reset process is the review of the actual and budget expenditure over the second regulatory period (January 1, 2006 to December 31, 2010) for reasonableness and efficiency as this expenditure will form the basis for calculating any efficiency carryover to which NGCP may be entitled in accordance with Article 9 of the RTWR. Furthermore the actual and budgeted capital expenditure (capex) over the period 2009-10 will form part of the regulatory asset base (RAB) at the commencement of the third regulatory period.

The Commission is inviting proposals from suitably qualified and experienced regulatory reset Experts to review NGCP's actual and budget expenditure over the second regulatory period in the following expenditure categories.

- a) Capex;
- b) Disposal of fixed assets³ and
- c) Operating and maintenance expenditure (opex).

1.2. Services required

The key outputs from the assignment will be as follows:

- a) Preparation, and presentation to the oversight Commissioner, project manager and Commission staff, of an inception report that will identify key issues for the review and discuss how these will be investigated and analyzed by the Expert;
- b) Analyses of the historical and budget capex and opex for the second regulatory period in order to assist the ERC determine any efficiency adjustments in accordance with clause 9.2.2 of the RTWR;
- c) Attendance at clarificatory meetings and evidentiary hearings where the efficiency of the forecast and budgeted expenditures are further explained and defended;
- d) Preparation and presentation to the Commission of a detailed report in which the Expert's findings are presented;

¹ This is available on the ERC website, (<http://www.erc.gov.ph>)

² This is also available on the ERC website.

³ While not strictly an expenditure category, the disposal of fixed assets is closely linked with utilities' capital development programs and the Commission requires a review of the extent of disposals for each year as well as the forecast income to be derived from the sale of the disposed assets.

- e) Review of submissions received on the expenditure review report to the extent that these were used by the Commission in formulating its draft determination, and attending public consultations on these submissions;
- f) Preparation of a supplementary report recommending, if required, modifications to the recommendations and conclusions of the detailed report submitted under (d) above as a result of the consultant's evaluation of submissions received following the release of the draft determination;
- g) Submission of brief monthly reports outlining work undertaken during the previous month and discussing any problems or issues encountered; and
- h) Close collaboration with the Commission's project team and transfer of practical and theoretical knowledge in reviewing capital expenditure forecasts to the Commission staff involved with the project.

The scope of work is described in more detail in Section 3 of this Terms of Reference.

1.3. Reset schedule

In terms of the reset process, the Commission has to make its final determination on the maximum allowed revenue by August 31, 2010. To achieve this, the following program will be implemented:

| ACTIVITY | REQUIRED DATE |
|-------------------------------------------|----------------------|
| NGCP application filing | December 1, 2009 |
| Expenditure review proposals due | December 9, 2009 |
| Appoint expenditure review experts | December 14, 2009 |
| Start-up meeting | January 8, 2010 |
| Inception report due | January 15, 2010 |
| Clarificatory meeting | February 5-6, 2010 |
| Evidentiary hearing – Luzon (in Manila) | February 8-9, 2010 |
| Evidentiary hearing – Visayas (in Cebu) | February 11-12, 2010 |
| Evidentiary hearing – Mindanao (in Davao) | February 18-19, 2010 |
| Draft expenditure review report* | April 1, 2010 |
| Final expenditure review report* | April 15, 2010 |
| Draft determination | April 30, 2010 |
| Public consultation – Visayas (in Cebu) | To be advised |
| Public consultation – Luzon (in Manila) | To be advised |
| Public consultation – Mindanao (in Davao) | To be advised |
| Draft supplementary report | July 15, 2010 |
| Final supplementary report | July 30, 2010 |
| Final determination | August 31, 2010 |

Note: * Proponent may suggest a different delivery date if it deems appropriate under the circumstances.

The delay between the appointment of the expenditure review experts and the start-up meeting is due to the Christmas break. The Commission will provide the successful Expert(s) with a copy of NGCP's revenue application upon appointment to enable this to be analyzed prior to the start-up meeting.

The dates for the public consultation hearings following release of the draft determination have still to be finalized. In pricing this work bidders may assume that they will occur over a period no longer than three weeks.

2. GENERAL INFORMATION AND CONDITIONS

This request for proposal is issued on the basis that recipients have been extensively involved with supporting the Commission on previous similar reset activities and are familiar with the Commission's regulatory processes, documentation and requirements with regard to expenditure reviews.

In submitting its proposal, the Expert is expected to have examined the latest versions of the RTWR and the Position Paper as these pertain to NGCP. There is therefore no attempt in these terms of reference (ToR) to explain the form of regulation being implemented, its methodology or the processes and timelines that will apply.

2.1. Content of proposals

The following minimum information must be provided in the proposals.

2.1.1. Scope of service

A concise description must be provided of the full scope of services offered by the Expert. This should demonstrate clear understanding of the requirements of the Commission and the Regulatory Reset Process and an appreciation of the likely issues that will be the focus of the review.

2.1.2. Methodology

The expenditure reviews will be undertaken within a judicial case where communication between the Expert and NGCP regarding the review will be limited to:

- Written responses to questions asked by the Expert. Questions for NGCP shall be submitted in writing to the Commission, which will prepare a formal legal Order requiring NGCP to respond in writing to the questions raised.
- Verbal discussion at clarificatory meetings. Clarificatory meetings will be organized by the Commission in response to requests by the expert and will provide an opportunity for the expert to discuss historical and forecast expenditure with NGCP. A clarificatory meeting has been scheduled for 5-6 February 2009 but additional meetings will be arranged if required by the Expert. Prior to any clarificatory meeting, the Expert must provide the Commission with schedule of questions that explicitly identify the topics that it wants to discuss at the meeting.

Written responses provided by NGCP to Orders issued by the Commission and the records of all clarificatory meetings will form part of the evidence of the case and will be available to all parties of record⁴.

Proposals should include a detailed description of the methodology that the Expert proposes to use in undertaking the expenditure review. The methodology should show how the review objectives will be achieved, taking into account the need to work within the judicial process described above. The methodology should also show the times that various team members will be working in the Philippines.

2.1.3. Team composition

The Expert may form a team to undertake the review. The identity of all team members, including details of their relevant expertise, should be included in the proposal.

⁴ Parties of record are identified at the judicial hearings (which the Expert is not required to attend). They are entitled to cross-examine NGCP witnesses at the evidentiary hearings and to make written submissions that the Commission must consider in making its determination. Parties of record will be invited to attend clarificatory meetings as observers but will not be entitled to participate in discussions.

It is strongly encouraged that the Expert employs Filipino locals in the team, both to support the project, but also to establish local sources of expertise that can become involved with regulatory activities in the future.

2.1.4. Form of contract

A pro-forma of the contract that will be used for the consultancy assignment is attached (see discussion in section 2.4).

2.1.5. Commercial details

The commercial terms and conditions, including the payment terms and any discounts or penalties that may apply and the conditions giving rise to these should be described.

2.1.6. Price

Full details of the offer price for the service in Philippine pesos must be provided. This must be a fixed price, set for the duration of the contract and based on the scope of work described in the proposal. A breakdown of the fixed price separately showing the fee rate and estimated total fee for each team member, as well as the provision for travel expenses and other disbursements should also be provided.

The Commission accepts that there are uncertainties related to the quality of the relevant information that will be provided NGCP. While the Expert should allow as far as reasonably possible to accommodate this uncertainty in the fixed price, the Commission will allow formal scope of service amendments should such uncertainties clearly give rise to work that could not have been reasonably foreseen at the time of submitting the proposal, or clearly contradicts the scope of service offered (such as a case in which the Expert has to accept a responsibility that it has assumed to rest with the ROS team as it has indicated in its original proposal). The proposal must therefore provide a clear indication of the rates that will be applied to any approved scope of service change.

The offer price should include all reasonable disbursements, including costs for travel (local and international), accommodation, meals, consumables, printing, communication, computer support, per diems and other allowances (including ERC staff), security, support staff, safety clothing, visa and passport arrangements, and the like.

2.1.7. Confirmation of commitment to timelines

The timeline for the reset process is in accordance with the Electric Power Industry Reform Act (EPIRA) and has been set after substantial consultation processes. It is therefore essential that the work will meet the required deadlines as described in section 1.3 above.

The Expert and its team members must confirm its availability to provide the required support over the period indicated.

2.1.8. Proposed set-up structure in the Philippines

It is not required that the Expert should have a permanent office or presence in the Philippines. However, continual close interaction with the oversight Commissioner and Commission staff will be essential and the arrangements that the Expert proposes to put in place for members of its team working in the Philippines should be described in the proposal.

2.1.9. Transfer of knowledge

It is required that the Expert work closely with the Commission staff involved in the reset process with the objective of assisting them understand the processes used to undertake the review, the basis for any assumptions made, and the analysis undertaken by the Expert in order to develop

the conclusions and recommendations for the review⁵. This less formal “on the job” training shall be supplemented by formal workshops for Commissioners and Commission staff during the review. These workshops should describe the review process as well as issues that arose during the review and how these were addressed and resolved by the Expert. Proposals should indicate when the Expert proposes to conduct these workshops and what each workshop is likely to cover.

2.2. Submission of proposals

Proposals are required to be delivered electronically (via email or fax) to the Commission or as hard copies along with an electronic version on diskette or compact disk. MS-Word or Adobe PDF format should be used. Proposals should be delivered not later than 5:00 pm (Philippines time) on December 9, 2009.

Proposals should be sent to:

Commissioner RAUF A. TAN

Energy Regulatory Commission

16th Floor, Pacific Center Building

San Miguel Avenue, Ortigas Center

Pasig City, Philippines

Email : ratan@erc.gov.ph

Phone : **00-63-2-6315997**

Receipt of electronically delivered proposals will be acknowledged by email.

Electronic copies of the proposal should at the same time be forwarded to Engineer Alvin Jones M. Ortega (ajmortega@erc.gov.ph or ajmortega@gmail.com) and Engineer Rey Ernesto G. Reyes (regreyes@erc.gov.ph or reynestoreyes@yahoo.com).

2.3. Enquiries

Prior to the closing date, enquiries about the proposal or the work involved can be directed to:

Alvin Jones M Ortega

Email : ajmortega@erc.gov.ph

Phone : **00-63-2-6348641 or 00-63-2-9145000 loc. 116, 117 or 118**

It should be noted that such enquiries should be limited to aspects not already described in the RTWR and Position Paper. The Commission may, at its discretion, circulate its response to any questions asked to other parties that have indicated an intention to submit a proposal.

2.4. Form of contract

2.4.1. Contract parties

The contracting parties will be the Expert and NGCP. Notwithstanding the fact that NGCP will be funding the work, the Expert will be undertaking the work on behalf of the Commission and the Expert’s primary duty of care in undertaking the work will be to the Commission.

⁵ It is a goal of the Commission to reduce its reliance on external consultants in the future and also to promote the development of a local knowledge base on regulatory reset related issues.

2.4.2. Pro forma contract

The Commission has drawn up a pro-forma of the contract that will be used for this project, a copy of which is attached.

The Expert is entitled to suggest changes to this contract as part of his/her proposal. However, such changes will only be considered by the Commission if the concerns pointed out are material. Delays associated with having to negotiate changes to the pro-forma contract will not constitute grounds for extending the project duration.

If, in the Commission's opinion the changes suggested to the pro-forma contract are not sufficiently justified, this will be discussed with the Expert and, if no satisfactory agreement can be reached, will result in disqualification of the proposal and its award to another Expert. The Expert is required to confirm in its proposal that it accepts the general terms and conditions in the pro-forma contract or, alternatively, detail any changes to these conditions that it proposes to negotiate in accordance with clause 2.4.3 below.

2.4.3. Contract negotiations

After being informed that its proposal has been accepted, the Expert will be required to prepare the contract for the work in accordance with the attached pro-forma contract, the terms and scope of work offered in its proposal and the agreed contract value.

The completed contract must be submitted to the Commission by December 21, 2009 and will then be forwarded to NGCP for validation. Assuming no changes to the pro-forma contract are required by the Expert (and the contract is approved by the Commission), NGCP will be given seven working days to return the signed contract to the Commission, which will then hand this to the Expert for its signature.

In case changes are made to the pro-forma contract by the Expert, these will have to be negotiated with NGCP, which will have seven working days to provide its comments to the proposed changes. If, as a result, further negotiations are required to finalize the contract, the Commission will not be party to the negotiations. All negotiations must be concluded by January 8, 2010.

Failure to resolve the contract in this time may result in the cancellation of the award and awarding it to the next approved Expert. If this should arise as a result of material changes to the pro forma contract proposed by the Expert, the Expert will not be entitled to recover any costs incurred up to that stage.

2.4.4. Managing payment claims under the contracts

While the Commission will not be party to the contract, all payment claims must be submitted to the Commission for prior approval, after which these will be forwarded by the Commission to NGCP for payment. Original, signed invoices must be submitted, providing sufficient detail of the progress for which payment is claimed to allow the Commission to reasonably assess the invoice. The Commission will consider the validity and reasonableness of these claims and, if satisfied that they are in accordance with the contracts and that work has been completed to its satisfaction at that stage, the Commission will approve and forward the invoices to NGCP.

If the Commission is not satisfied with the reasonableness of a claim, the Expert will be notified of this within five (5) working days of receipt of the claim by the Commission, in which case a revised claim will have to be submitted.

The Commission will not become party to any contractual or payment dispute between the Expert and NGCP. It will however assist the Expert in following up on overdue payments. If due to non-performance by NGCP in terms of its contract, it becomes necessary to take further steps,

the Commission will assist in this regard by first informing NGCP of its intention to apply penalties for the non-performance, and then by applying these penalties⁶.

2.4.5. Contract language

The language for the contract will be English and all documentation, workshops, meetings and correspondence will be in English. That also applies to the proposal.

2.4.6. Governing law

The governing law for the contract will be that of the Republic of the Philippines.

2.4.7. Right to instruct NGCP to enter a contract

The Commission reserves the right to instruct NGCP to enter into a contract with any Expert and, beyond providing the information, is not obliged to explain its decision.

The Commission also reserves the right to not award the contract, or to alter the scope of work of the contract that will be awarded, after renegotiating this with the successful Expert. This situation may arise following instruction from government or the courts, or from significant changes to the reset process.

2.5. Confidentiality

Under no circumstance will the successful Expert be allowed to divulge any information obtained from NGCP or the Commission for the purposes of this assignment to any outside party, other than with the express written permission of the Commission or NGCP.

2.6. Conflicts of interest

Experts are to confirm that there are no existing or potential conflicts of interest that will arise out of this assignment. Details of assignments done in the past year for NGCP, or expected over the next year, should be provided.⁷

2.7. Insurance

The Expert is required to provide the following minimum insurance policies that must remain current for the duration of the contract, and for which proof must be provided on request:

- Professional indemnity insurance to a value of not less than PhP 25,000,000
- Workplace, third party and other insurance as required under the jurisdiction of the Expert's home country

2.8. Cooperation with the Commission's project manager

The Expert's contract will be managed by the project manager on behalf of the Commission, and the project management duties will include liaison with the Expert, leading progress meetings, assessment and recommendation of progress payments, recommendation of intervention by the Commission when deemed necessary if progress is not satisfactory and liaison with NGCP on procedural issues as required. The Expert will be expected to cooperate closely with the project manager and act on the reasonable instructions of the project manager.

⁶ Under its regulatory powers, the ERC can apply penalties to NGCP if it does not conform to its regulatory obligations.

⁷ These assignments would not necessarily be considered to be conflicts of interest, but the ERC needs to understand where the potential for conflicts or the potential for perceptions of conflicts of interest exist.

3. SCOPE OF WORK

It is expected that the Expert is familiar with the review of the expenditure forecasts required by the Commission.

A summary of the work required by the Expert is described below. It is expected that the Expert will, based on earlier experience of similar projects, consider the required outputs and propose to the Commission further activities that may be required to successfully deliver the required review outputs.

3.1. Outline description of the Utility Distribution Systems involved

In order to gain a general understanding of the likely scope of the work involved, the Expert may wish to consider the following network statistics. If further information is required, it is the responsibility of the Experts to collect that prior to submitting their proposals.

| | | |
|----------------------------------------------------------------|---|-----------------------------|
| Franchise area | : | Republic of the Philippines |
| Energy sold | : | 139,655,704 kWh (2007) |
| Maximum demand 2008 (MW) | : | 9,099 |
| Overhead transmission line circuit lengths (km): | | |
| 500 kV | : | 1,177 |
| 350 kV HVDC | : | 862 |
| 230 kV | : | 5,191 |
| 138 kV | : | 4,615 |
| 115 kV | : | 169 |
| 69 kV | : | 613 |
| Overhead subtransmission line circuit lengths (km) | | |
| 138 kV | : | 24 |
| 115 kV | : | 2 |
| 69 kV | : | 4,391 |
| 34.5 kV | : | 65 |
| 13.8 kV | : | 143 |
| Submarine transmission cable circuit lengths (km) | | |
| 350 kV HVDC | : | 43 |
| 230 kV | : | 68 |
| 138 kV | : | 18 |
| Underground transmission cable circuit length (km) | | |
| 138 kV | : | 9 |
| 69 kV | : | 7 |
| Substation Capacity (MVA) | : | 24,814 |
| Approximate asset values (PhP million, as at December 31 2008) | | |
| Replacement cost | : | 242,571 |
| Optimized depreciated replacement cost | : | 146,231 |

3.2. Technical component

The technical scope of the work required for this project is as follows:

- a) An analysis of the historical capex undertaken by NGCP for the first three years of second regulatory period (from January 1 2006 to December 31 2008). This analysis must be undertaken separately for (i) each of the 74 major projects⁸ that were included in the approved capex forecast for the second regulatory period; (ii) each line item of residual project expenditure where the total expenditure over the period 2006-08 exceeded 5% of the

⁸ Major projects are those with a capital cost greater than PhP 50 million.

actual total residual project expenditure for the period and (iii) any major projects undertaken during the second regulatory period that were not included in the capex approved in the final determination for the second regulatory period. For each project or line item analyzed the analysis must:

- recommend any adjustments to the approved capex forecast in accordance with the provisions of clause 9.2.4 of the RTWR;
 - identify the optimized replacement cost (ORC) and optimized depreciated replacement cost (ODRC) of the assets created by the capex in the regulatory asset valuation undertaken by Sinclair Knight Merz as of December 31 2008, including whether the assets are recorded in the asset base as commissioned assets or as construction work in progress;
 - categorize each major capex projects as:
 - o having been approved and commenced prior to the regulatory reset for the Second Regulatory Period, and which has subsequently been commissioned and revalued to ODRC;
 - o having been approved during the regulatory reset for the Second Regulatory Period;
 - o having not been approved during the regulatory reset for the Second Regulatory Period but commenced either after subsequent approval by the Commission (would include an approved expenditure forecast) or without such approval;
 - compare the actual capex with the adjusted approved capex forecast and provide an explanation for any material deviations⁹;
 - recommend the amount of expenditure that should be included in the efficiency carryover (in accordance with Article 9 of the RTWR) for each year of the three-year analysis period for each category of major projects identified above. This expenditure should be net of any windfall revaluation gains (or losses) accruing to NGCP through the inclusion of commissioned assets in the regulatory asset base at a standard replacement cost rather than at actual cost¹⁰.
2. An analysis of the actual and budgeted capex for the period between January 1, 2009 and December 31 2010. This analysis should be similar to the analysis described in paragraph (a) above except that, as expenditure over this period is rolled into the asset base at either actual or budgeted cost, the issue of windfall revaluation gains or losses should not arise. Should the Expert recommend an efficiency carryover based on the difference between costs as currently budgeted and the approved forecast it must confirm that the budget is both reasonable and economically efficient, based on the most current information available.
- c) An analysis of the historical and budgeted opex undertaken or planned by NGCP for the second regulatory period (from January 1 2006 to December 31 2010). This analysis should refer back to the opex forecast in the Final Determination of June 2006 for the second regulatory period, and consider individually each line item of expenditure where the total actual and budgeted expenditure over the period 2006-10 exceeds 5% of the total actual and forecast opex for the period. For line items analyzed the analysis must:

⁹ This information should be provided by NGCP in its revenue application. See Clause 3.3 of the Position Paper.

¹⁰ The RTWR is silent on the treatment of revaluation gains in respect of calculation of the efficiency carryover. However clause 2.8.3 of the Position Paper states: *In analysing the capital expenditure which has occurred and has been commissioned during the Second Regulatory Period, the ERC is concerned that there should be no double count of these assets and the assets which are to be re-valued in the RAB during the re-valuation process. The ERC shall request the Independent Expert appointed to review and advise on the actual capital expenditure commissioned during the Second Regulatory Period to liaise with the Independent Expert appointed (Sinclair Knight Merz) to undertake the valuation at the beginning of the Third Regulatory Period with the objective to ensure there is no double count of this capital expenditure in the opening asset base.*

- recommend any adjustments to the approved opex forecast in accordance with the provisions of clause 9.2.4 of the RTWR;
- compare the actual opex with the adjusted approved opex forecast and provide an explanation for any material deviations; and
- recommend the amount of expenditure that should be included in the efficiency carryover (allowed under Article 9 of the RTWR) for each year of the regulatory period, based on the reasonableness of the Regulated Entity being able to control the cost differentials identified. Should the Expert recommend an efficiency carryover based on the difference between costs as currently budgeted (rather than actual expenditure) and the approved forecast, it must confirm that the budget is both reasonable and economically efficient, based on the most current information available.

Further, the Expert is expected to provide the following:

- d) An inception report that reviews the relevant information provided by NGCP in its December 2009 revenue application, identifies the issues for the review and discusses the approach that the Expert proposes to use in order to complete the review in accordance with the Commission's requirements. The report should identify any required information that is not provided in the revenue application and include, as an appendix, a schedule of additional information that the Expert considers will be needed to complete the review. This schedule will form the basis of an ERC order in accordance with Section 2.1.7 of these ToR.

The inception report is to be presented to the oversight Commissioner, the project manager and the project team prior to the first clarificatory meeting.

It is not anticipated that the Expert will be required to undertake site inspections of the major projects, but rather the analysis shall be informed by data, information and reports provided in the application by NGCP, and where requested additional data available from NGCP (such proposed primary data should be identified in the proposal).

- e) Attendance at evidentiary hearings, at which time more information on the capital expenditure applications will be provided and parties of record will be able to cross examine NGCP witnesses on the expenditure forecast and other matters pertaining to the revenue application.
- f) Preparation and presentation to the Commission of a detailed report presenting the findings of the Expert with regard to his/her analyses of the historical and budgeted expenditure. The report must highlight any recommended adjustments to the expenditure forecasts as approved at the last reset, with the reasons for these recommendations, and clearly show the efficiency carryovers recommended as a result of the review and how these recommended carryovers were derived.
- g) A review of submissions on the Commission's draft determination, to the extent that these relate to the Commission's use of the expenditure review report prepared by the Expert, and attendance at the public consultations on the draft determination.
- h) Preparation (if required) of a supplementary report documenting any changes to the recommendations in the detailed report following consideration of the written submissions received on the draft determination and the representations at the public consultations.
- i) Maintenance of detailed documentation of the review process followed, data used, modifications made to the data, the justification for these modifications, the benchmarking or alternative methodologies used to assess expenditures, data used in expenditure comparisons, and the justification for the final recommendations.
- j) Submission by the third business day of each month a brief monthly report outlining work undertaken during the previous month and discussing and problems or issues encountered. No monthly report will be required in early January.

- k) Transfer of knowledge and skills to ERC staff.

Three paper copies of the review reports as well as an electronic copy on compact diskette (in MS Word and MS Excel format) must be delivered to the Commission, or submitted via email. The Commission shall also be provided with the detailed spreadsheets containing the Expert's analyses. After final approval of the report by the Commission, two further copies of the review report must be delivered to each Distribution Utility (paper and electronic format).

3.3. Non-technical component

3.3.1. Close cooperation with the Commission and their project manager

Close coordination and regular liaison with the Commissioners, project manager and Commission staff will be an integral part of the scope of work. The Expert will be required to attend monthly progress meetings (this can be done via conference call), and, from time to time, assist the Commission staff to present progress reports directly to the Commissioners (the actual presentations will generally be made by Commission staff). Any important issues arising from the work should be brought to the attention of the Commission immediately, with suggestions for appropriate actions to address these. This may also require presentations to the Commission.

Meetings with the Commission staff and presentations to Commissioners will adhere to the Commission schedules and procedures. Only in exceptional cases will requests for special Commission meetings be considered.

The Commission's project manager and staff shall have full access to the working records of the Expert during the course of the project, and may also from time to time sit in on project meetings of the Expert.

3.3.2 Conveying knowledge

As indicated before, it is a key requirement of this project that support as well as knowledge transfer is accorded to Commission staff and that the Commission's staff get hands-on experience in working with the Expert on this project. All activities related to this, including preparation, arranging and conducting of workshops or training sessions and providing training materials, form part of the scope of work.

3.3.3 Presentation and discussion of results

The Commission will in part base its draft and final determinations of the revenue cap arrangements for distribution wheeling services on the Expert's recommendations on reasonable expenditure forecasts and efficiency carryovers. It is anticipated that NGCP will wish to discuss these findings and may also have queries about aspects thereof. As part of the scope of work, the Expert will have to be available to assist the Commission staff in presenting its reports to NGCP and for follow-up discussions. The Expert should also be available to assist with answering queries that may arise at a later stage (which may be answered from a remote location).

3.3.4 Travel, accommodation and security

The Expert is expected provide its own travel, visa (or entry permit) and accommodation arrangements. This will include travel to evidentiary and public consultation hearings.

Due care should always be taken when visiting and traveling in the Philippines, and traveling around the outskirts and rural areas especially is not advised. While NGCP and the Commission will provide personnel to accompany the Expert(s) during visits, any additional security arrangements required will be to the account of the Expert. (Note that the Commission does not accept any responsibility for the security or well-being of the Expert(s) during or after the execution of this project.)