

**SUPPLEMENTAL AGREEMENT TO THE
TRANSITION CONTRACT FOR THE SUPPLY OF ELECTRICITY**

This Supplemental Agreement to the Transition Contract for the Supply of Electricity is entered into by and between:

The **NATIONAL POWER CORPORATION**, a government-owned and controlled corporation duly organized and existing by virtue of Republic Act No. 6395, as amended, with principal office at Building 1, NPC Building Complex, BIR Road corner Quezon Avenue, Diliman, Quezon City, Philippines, represented herein by its Senior Vice President for Corporate Services, **ROLAND S. QUILALA**, who is duly authorized to represent it in this transaction, hereinafter referred to as "**SUPPLIER**";

and

_____, a [_____] organized and existing by virtue of the laws of the Philippines, with principal office address at [_____] represented herein by its [_____] [_____] who is duly authorized to represent it in this transaction (hereinafter **CUSTOMER**”).

SUPPLIER and CUSTOMER are sometimes referred to herein as “Parties”.

WITNESSETH THAT:

WHEREAS, SUPPLIER has authority under its Charter (RA 6395, as amended) to sell electricity to electric cooperatives, private electric distribution utilities, government-owned electric distribution utilities or local government units which have exclusive franchise to operate a distribution system (collectively, “Distribution Utilities”);

WHEREAS, SUPPLIER is required under Section 67 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA), to file with the Energy Regulatory Commission (ERC) for the approval a Transition Supply Contract (TSC) duly negotiated with the distribution utilities;

WHEREAS, upon the commercial operation of the Wholesale Electricity Spot Market (WESM), all energy produced by generation companies (including those operated by SUPPLIER) shall be bid through the power pool, and the customers (including CUSTOMER) shall draw all their requirements from the pool (including Contracted levels under this Agreement);

WHEREAS, the Parties entered into a Transition Contract for the Supply of Electricity (“TSC”) effective _____ providing for the supply of generation, transmission, sub-transmission and ancillary services;

WHEREAS, in order to conform with the provisions of the EPIRA, the parties have agreed to amend/supplement certain provisions of the TSC;

WHEREAS, among others the price of and payments for energy traded through the WESM are to be determined under this Agreement and the WESM Rules;

WHEREAS, pursuant to the EPIRA, the National Transmission Corporation "TRANSCO" assumed the authority and responsibility of SUPPLIER with respect to power delivery (transmission and sub-transmission) and ancillary services, by reason of which CUSTOMER may enter into a separate Transmission Service Agreement ("TSA") with TRANSCO.

NOW THEREFORE, for and in consideration of the foregoing premises, and the mutual covenants, hereinafter contained, the Parties agree as follows:

SECTION ONE -- DEFINITION OF TERMS

The terms that are defined herein superseded those so defined under the TSC.

- 1.1 **ADJUSTMENTS** - refer to the adjustments and/or indexation formulas approved by ERC which shall be applied to the terms of this Agreement.
- 1.2 **AGREEMENT** - refers to this Supplemental Agreement to the Transition Contract for the Supply of Electricity.
- 1.3 **BASIC ENERGY CHARGE (in ₱/kWh)** - is the unit price applied to CUSTOMER's Contract Energy and monthly or hourly energy consumption.
- 1.4 **BILLING ENERGY (in kWh)** - the aggregate actual energy (in kilowatt-hours) supplied by SUPPLIER to CUSTOMER per billing period, as registered hourly or monthly by the billing meters at various delivery points. If required, the actual energy supplied for the billing period as registered in a particular billing meter/s may be adjusted for whatever loss/correction factors, rounded to the nearest full kWh. The Billing Energy shall be used for calculating the power bills.
- 1.5 **BILLING PERIOD** - the time interval or duration specified by SUPPLIER in which CUSTOMER's consumption is regularly recorded, accumulated, and read for the purpose of billing.
- 1.6 **CONTRACT ENERGY** - refers to the energy in kilowatt-hour (kWh) whether monthly or hourly (in case of Time of Use Rate) allocated by SUPPLIER to CUSTOMER within the contract period, as stated in "Annex B-Revised" of this Agreement.
- 1.7 **DELIVERY** - means the transmission of electricity from the generating plant to the Point(s) of Delivery of CUSTOMER.
 - 1.8.1 **DELIVERY VOLTAGE** - the nominal service voltage/s at the Point/s of Delivery.
 - 1.8.2 **POINTS OF DELIVERY** - the points in the electric system agreed upon by SUPPLIER and CUSTOMER (as shown in "Annex B-Revised") where power and energy shall be delivered and measured.
- 1.8 **DOE** - refers to the Department of Energy.
- 1.9 **ERC** - refers to the Energy Regulatory Commission, an independent and quasi-judicial regulatory body created under R. A. 9136.
- 1.10 **MARKET OPERATOR** - is the entity created under RA 9136, which is responsible for the operation of the electricity spot market.

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- 1.11 **PSALM** - refers to the Power Sector Assets and Liabilities Management Corporation, a government-owned and -controlled corporation created under RA 9136.
- 1.12 **SECURITY DEPOSIT** - is a financial instrument posted by the CUSTOMER with the SUPPLIER to guarantee payment of its outstanding power accounts.
- 1.13 **SUPPLIER** - means the National Power Corporation (NPC). When the context refers to the period after the assignment of the Contract by SUPPLIER to PSALM or the latter's assignees, the term "SUPPLIER" shall apply to a buyer, transferee, assignee, or successor-in-interest who has assumed rights and obligations of the NPC under the Contract to sell or supply of power generation to CUSTOMER.
- 1.14 **TSC** - means the Transition Contract for the Supply of Electricity (TSC) and its Annexes except when the context otherwise provides.
- 1.15 **WESM** - refers to the Wholesale Electricity Spot Market.

SECTION TWO -- SUBJECT MATTER (SUPPLY)

- 2.1 This Agreement governs the relationship between SUPPLIER and CUSTOMER for the supply of electric energy at the Point/s of Delivery.

SECTION THREE -- SCOPE AND TERMS OF AGREEMENT

DURATION

- 3.1 This Agreement shall take effect on _____ until 25 June 2005 (for private distribution utilities)/25 June 2007 (for electric cooperatives) or not later than one (1) year from the introduction of retail competition and open access as defined in the EPIRA, whichever comes earlier.
- 3.2 In cases where the term of the TSC extends beyond 26 June 2005 or 26 June 2007 or after one (1) year upon implementation of retail competition and open access, the remaining term of the TSC shall be considered as a regular bilateral contract subject to the provision of Section 6 (Charges and Adjustments) of this Agreement.

SETTLEMENT OF OUTSTANDING ACCOUNT INCURRED PRIOR TO WESM

- 3.3 Upon the commercial operation of WESM as declared by the DOE, all amounts due and owed by CUSTOMER to SUPPLIER or its assigns shall be settled, as follows:
 - a. Within ten (10) days after the commercial operation of the WESM, SUPPLIER shall provide a billing statement for all outstanding accounts of the CUSTOMER up to the commercial operation of the WESM.
 - b. Within thirty (30) days after the commercial operation of the WESM, CUSTOMER shall pay SUPPLIER the amount stated in said billing statement.

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- c. Any accounts payable including restructured accounts due to the SUPPLIER shall be paid in accordance with the memorandum of agreement duly executed by the Parties.

PRICE SETTLEMENT MECHANISM DURING THE WESM OPERATION

- 3.4 During the Commercial operation of the WESM the Basic Energy Charge (BEC) as provided under Section 6.1 of this Agreement shall remain the basis for settlement of the contract energy. Settlement of the transactions shall be made through the Market Operator. In the event WESM rules provide for a pricing mechanism that renders the BEC as defined herein inappropriate or inapplicable, the Parties shall meet and discuss the matters in good faith and exert their best efforts in arriving at a mutually-agreeable solution.

SECTION FOUR -- SERVICE SPECIFICATIONS

CONTRACT ENERGY

The CONTRACT DEMAND and CONTRACT ENERGY as referred in Section 5.1 and Annex B of the TSC is hereby revised to mean the contract energy and equivalent demand as indicated in "Annex B-Revised".

- 4.1 Contract Energy as indicated in "Annex B-Revised" shall not be changed by either party except in cases as provided for in this Agreement.

BUY-OUT

Section 5.10 (Buy-Out) of the TSC shall be amended to read as follows:

- 4.2 CUSTOMER shall be entitled to a reduction in its Contract Energy only upon written application to SUPPLIER and payment of the corresponding buy-out fee at least sixty (60) days prior to the effectivity of the buy-out. The buy-out fee shall be equivalent to the present value of the fixed cost component of the applicable generation rate schedule or price of electric energy including adjustments of the reduction in the Contract Energy sought at a discount rate (i) equivalent to the prevailing 91-day T-Bill rate. The buy-out fee shall be computed using the standard present value formula:

$$P = \sum_{j=1}^n \left[A_j \times \left(1 + \frac{i}{12} \right)^{-j} \right]$$

where:

- P - buy-out fee that the CUSTOMER must pay, equivalent to the present value for the remaining term of the contract.
- A_j - projected power bill using the fixed cost component of the applicable generation rate or price of electric energy, including adjustments, for month j .

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- i - discount rate equivalent to the prevailing 91-day T-Bill rate
- j - months 1 to n
- n - total number of periods (months) remaining in the Contract

EXEMPTION FROM THE BUY-OUT PROVISION

- 4.3 CUSTOMER may be allowed to reduce its Contract Energy without the application of the buy-out provision, provided that the reduction was caused by the transfer by a consumer of its power and energy source from CUSTOMER to SUPPLIER or, to another customer of SUPPLIER located within the same grid prompting the other customer to correspondingly increase its electric supply requirement with SUPPLIER, notwithstanding that CUSTOMER may have itself imposed penalties or buy-out provisions to such transferring consumer. CUSTOMER shall have sixty (60) days from transfer within which to request the appropriate reduction and the decrease shall be deemed effective from such date of transfer. Provided further that CUSTOMER and SUPPLIER shall ensure that the transfer shall not cause disadvantage to any assignee(s) of the SUPPLIER. This provision shall not apply in all other cases where CUSTOMER has lost its clients or where its clients have failed or refused to receive electricity or have fluctuating requirements.

ASSIGNABILITY

- 4.4 Sections 5.12 to 5.16 (Assignability) of the TSC are hereby supplanted by the following provisions:

“SUPPLIER may assign or transfer part or all of its rights and obligations in the supply of Contract Energy herein stated, to any such entity, provided that prior written notice is given to CUSTOMER. The TSC and this Agreement shall remain binding to Parties, their successors and assignees. SUPPLIER warrants that any sale, assignments, transfer, or subcontracting of the TSC shall not affect or impair CUSTOMER’s rights and obligations with respect to quantity and price of electricity, Agreement effectivity, incentives, discounts and other terms and conditions of the Agreement. The assignee shall, by written instrument, assume the rights and obligations of SUPPLIER under the TSC and this Agreement.”

- 4.5 CUSTOMER may assign, sell or transfer a part or all of its Contract Energy either permanently or for a certain number of billing periods, subject to the prior written consent of SUPPLIER under the following conditions:

- a. CUSTOMER has obtained prior clearance from TRANSCO on the assignment or transfer.
- b. CUSTOMER has submitted necessary proof that the buyer, assignee or transferee has no outstanding obligation to SUPPLIER, and undertakes to assume the obligations of CUSTOMER and to pay for the additional expenses necessary or incident to the transfer.

- 4.6 The sale assignment or transfer by CUSTOMER of all its Contract Energy shall relieve the CUSTOMER of all its rights and obligations to SUPPLIER, provided that CUSTOMER has paid all its outstanding obligations to SUPPLIER.

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- 4.7 Any application for sale, assignment or transfer shall be acted upon by SUPPLIER within thirty (30) days from compliance by CUSTOMER of the requirements for such sale, assignment or transfer, and filing by CUSTOMER with the principal office of SUPPLIER of a copy of the deed of sale, assignment or transfer.

SECTION FIVE -- SECURITY DEPOSIT

Security Deposit provided for under Section 4 of the Contract shall be supplanted by the following provisions:

AMOUNT

- 5.1 The Security Deposit shall be equivalent to 100% of the estimated average monthly power bill during the first year of this Agreement and shall be updated annually. Each update shall be executed at least one week prior to the beginning of the ensuing year. The updated Security Deposit shall be similarly calculated based on the next 12 months of the ensuing year.
- 5.2 In the event that a power bill remains unpaid within five (5) days after its due date, SUPPLIER has the option to call on or draw against the Security Deposit.

FORM AND TIME OF POSTING

- 5.3 The Security Deposit shall be posted upon privatization of the generating asset/s upon which the TSC and this Agreement is allocated/assigned as provided for in Section 4.4 hereof, or upon commercial operation of the WESM, whichever comes first. Failure of the CUSTOMER to post the required Security Deposit within fifteen (15) days upon receipt of the demand letter of the SUPPLIER shall be a ground for disconnection. It shall be in the form of cash, manager's or cashier's check, certified check, irrevocable stand-by letter of credit, or performance bond "callable on demand" issued by a financial institution acceptable to SUPPLIER. CUSTOMER shall ensure that the Security Deposit remains valid during the commercial operation of the WESM. Once it is drawn partially or fully by the SUPPLIER, the CUSTOMER shall replace the Security Deposit within fifteen (15) days thereafter. In the event that the CUSTOMER fails to replace the full amount of the Security Deposit as required herein, the SUPPLIER reserves the right to refuse or discontinue supply of electric energy.

RELEASE OF SECURITY DEPOSIT

- 5.4 The Security Deposit (for the portion that should be settled within the WESM) shall be returned to the CUSTOMER within thirty (30) days upon presentation of proof of compliance with the prudential requirements of the WESM subject to the provisions of Section 3.3 of this Agreement. SUPPLIER shall return or release the Security Deposits to CUSTOMER including interest earned, subject to deductions for any amounts owed by CUSTOMER to SUPPLIER. Security Deposits, except those in the form of letter of credit or performance bond, shall earn interest based on prevailing savings deposit rate of the Land Bank of the Philippines (LBP).

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WAIVER AND CREDITWORTHINESS INDICATORS

- 5.5 The Security Deposit shall be waived provided the CUSTOMER meets all of the following indicators:

Indicators

1. Current Ratio -- not less than 1:1

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Debt Service Coverage Ratio -- not less than 1.3 : 1

$$\text{Debt Service Coverage Ratio} = \frac{\text{Internally-Generated Funds After Working Capital}}{\text{Debt Service for Operations}}$$

3. Return on Assets -- at least 8%

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

4. Total Debt to Total Assets -- not to exceed 0.6 to 1.0

$$\text{Total Debt to Total Assets} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

5. Payment history – no overdue account for the preceding 12-month period.

SECTION SIX -- CHARGES AND ADJUSTMENTS

BASIC ENERGY CHARGE

- 6.1 The ERC-approved generation rates which is deemed attached hereto as “Attachment A” and other charges exclusive of penalties and/or bonuses, shall be applied to the CUSTOMER’s contracted monthly or hourly energy consumption. For consumption higher than one hundred ten (110) percent of the contracted levels prior to the commercial operation of the WESM, the basic energy charge shall be the prevailing ERC approved rate and other adjustments plus twenty (20) percent of such rate. Upon the commercial operation of the WESM, the basic energy charge to be applied to the contracted energy shall be the rates including the adjustments, escalations etc. specified in “Attachment B”. For the consumption in excess of the Contract Energy, this shall be subject to Section 3.4 of this Agreement.

MINIMUM CHARGES

- 6.2 CUSTOMER shall pay the minimum charge based on the Contract Energy per billing period as indicated in Section 4.1 of this Agreement using the basic energy charge in the event that CUSTOMER has not fully taken or failed to consume the Contract Energy, subject to deductions and adjustments as expressly provided for in this Agreement.

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INTERRUPTION ADJUSTMENT

- 6.3 Sections 4 and 5 of Annex C (Charges and Adjustments) of the TSC is are hereby amended to read as follows:

“Section 4. Should the supply of electricity be interrupted or curtailed to a level below the Contract Energy due to the fault or lack of generation capacity of the SUPPLIER, even if CUSTOMER was at that time unable to take or consume electricity, the Contract Energy shall be adjusted taking into account the ratio of the number of hours that electric service was interrupted to the total number of hours in the billing period. The adjusted Contract Energy shall be used in the calculation of Minimum Charge. (This Section shall only apply if there are no Time of Use rates).

Should the supply of electricity be interrupted or curtailed to a level below the Contract Energy due to the fault or lack of generation capacity of the SUPPLIER, even if CUSTOMER was at that time unable to take or consume electricity, the Contract Energy shall be adjusted to actual off-take below contract level for all hours when service was curtailed or interrupted (This Section shall only apply if there is Time Of Use rates).”

”Section 5. Contract Energy not taken due to CUSTOMER’s fault or negligence or other causes affecting CUSTOMER’s ability to take or consume electricity shall not entitle CUSTOMER to interruption adjustment.”

DEDUCTION DUE TO FORCE MAJEURE (This Section shall apply only if there is no Time Of Use rates.)

- 6.4 Sections 6 and 7 of Annex C (Charges and Adjustments) of the Contract is amended to read as follows:

“Section 6. SUPPLIER shall have a maximum of seventy-two (72) hours from the time a force majeure event prevented it from supplying electricity and perform its other obligations under the Contract to resume supply. CUSTOMER shall not be entitled to interruption adjustment for such period, unless interruptions exceed seventy-two (72) hours and the CUSTOMER failed to fully take or consume its Contract Energy.”

Section 7. Likewise, CUSTOMER shall have a maximum of seventy-two (72) hours from the time a force majeure event prevented it from fully taking its Contract Energy to resume taking electricity. CUSTOMER shall be entitled to interruption adjustment based on the actual number of hours that it was unable to receive electricity, should its consumption be curtailed below the levels of Contract Energy. Excess hours shall not be considered. However, if both SUPPLIER and CUSTOMER were simultaneously unable to supply and consume electricity by reason of Force Majeure, CUSTOMER shall be entitled to interruption adjustment.”

Section 8. The number of hours of interruptions or of failure to receive electricity caused by one force majeure event shall be cumulated.

SERVING OF POWER BILLS AND PLACE OF PAYMENT

Sections 17 and 18 of Annex C (Charges and Adjustments) of the TSC are hereby amended to read as follows:

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Section 17. Bills for the electric energy supplied during a billing period and/or bills “for other charges covered by this Contract due SUPPLIER, if any, shall be served upon CUSTOMER within ten (10) days of the succeeding billing period and must be paid without the necessity of demand not later than twelve noon of the last working day of the said succeeding billing period.”

”Section 18. Payments shall be made to the authorized collector of the SUPPLIER.”

PROMPT PAYMENT DISCOUNT

6.5 Sections 14 of Annex C (Charges and Adjustments) of the TSC is amended to read:

“Section 14. Prior to the commercial operation of the WESM, the Prompt Payment Discount (PPD) shall be implemented in accordance with the NPC’s credit and collection policies duly approved by the NPC Board. Upon the commercial operation of the WESM, as declared by the DOE, the PPD shall no longer be applicable..

DISPUTED BILLS

6.6 Sections 19 to 22 of Annex C (Charges and Adjustments) of the Agreement are amended to read as follows:

“Section 19. Disputed bills shall be questioned in writing by CUSTOMER within sixty (60) days from the date of its receipt and shall be resolved within sixty (60) days from the date of filing of the claim. Failure to question such bills on time shall constitute a waiver by CUSTOMER of any claim on such bills.”

”Section 20. Disputed bills shall be paid by CUSTOMER without deductions or offsets and SUPPLIER shall evaluate the claim and adjust the billings in accordance with its findings. Disputed billing shall not be an excuse or ground for CUSTOMER to delay payment of succeeding billings or to unilaterally deduct any amount therefrom.”

”Section 21. CUSTOMER and SUPPLIER shall seek to resolve disputed billings. If the dispute cannot be resolved by the Parties, the matter shall be submitted for Arbitration.”

”Section 22. The CUSTOMER shall be entitled to a refund of any overpayment plus interest equivalent to the 91-day T-Bill rate from the date that the payment was made, if such demand is later found to be meritorious.”

OVERDUE ACCOUNT

6.7 Sections 23 to 24 of Annex C (Charges and Adjustments) of the TSC are amended to read as follows:

“Section 23. In the event that a power bill remains unpaid within five (5) days after its due date, SUPPLIER has the option to call on or draw against the Security Deposit as provided for under Section 5 – Security Deposit.

Any power bill or account of CUSTOMER not paid on due date shall bear a floating rate of interest computed from the first day after it becomes due and payable, based on the non-prime lending rate for each quarter of the Land Bank of the

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Philippines or the Philippine National Bank, whichever is higher. Interest on overdue accounts shall be computed based on a 360-day year.”

”Section 24. If the account of the CUSTOMER is overdue for more than six (6) months, CUSTOMER shall pay an additional penalty of one percent (1%) per month for every additional month of delay beyond six (6) months. Moreover, a restructuring agreement of the overdue account shall be executed by the CUSTOMER, with the following salient terms and conditions:

1. The restructured account shall be subject to interest as prescribed under the current credit and collection policies of the SUPPLIER.
2. CUSTOMER cannot avail of the Prompt Payment Discount during the restructuring period.
3. Automatic power service disconnection without need of notice, for failure to pay the monthly amortization, current bill and other charges.
4. CUSTOMER shall grant the SUPPLIER auditorial rights.
5. Restructured account shall rank pari-passu with other creditors.
6. Execution of real estate/chattel mortgage by CUSTOMER over eligible properties or assets as security on the restructured account.
7. CUSTOMER’s reduction of systems loss by at least 20% if such loss is above the industry standard.
8. CUSTOMER’s reduction of Average Days Outstanding (ADO) in receivables to sixty (60) days within one year.
9. No cash dividends shall be issued without prior approval of SUPPLIER during the restructuring period.

6.8 To evaluate the CUSTOMER’s restructuring proposal, CUSTOMER shall be required to submit its last two (2) years audited financial statements stamped received by the Bureau of Internal Revenue (BIR) and the latest interim statements. The projected cash flows covering the restructuring period shall likewise be submitted together with the assumptions made for such projections. The proposed measures to be adopted to improve the CUSTOMER’s payment performance shall also be indicated. Cash flows shall show that funds would be sufficient to cover the monthly amortization due.

ADJUSTMENT DUE TO INACCURATE METERS AND ERRONEOUS BILLINGS WITHIN A BILLING PERIOD.

6.9 Sections 25 of Annex C (Charges and Adjustments) of the Contract is amended to read as follows:

”Section 25. In the event that a billing is found erroneous due to wrong reading, incorrect use of kWh meter multiplier, arithmetical mistakes, omissions or typographical error, SUPPLIER shall send CUSTOMER a debit or credit memo to correct the error.”

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SECTION SEVEN -- MISCELLANEOUS PROVISIONS

TERMINATION

- 7.1 Either party will have the right to terminate the TSC and this Agreement upon failure of the other to perform its obligation under this the TSC and Agreement, provided that the party at fault will have to pay all its outstanding accounts and reimburse the costs incurred by the other party as a result of the termination.

ATTORNEY'S FEES AND LITIGATION EXPENSES

- 7.2 In the event of arbitration or litigation as provided in this Section, an amount of twenty percent (20%) of the value of the award by the arbitrator or court shall be paid by the losing party to the prevailing party to cover attorney's fees and other expenses of litigation but in no case shall such amount be less than Ten Thousand Pesos (₱ 10,000.00).

CHANGE IN LAW

- 7.3 The Parties shall perform all of their obligations under the TSC and this Agreement in accordance with applicable laws and regulations. In case of any amendment, modification or change in applicable laws and regulations, the Parties shall continue to perform their obligations under this the TSC and Agreement unless made expressly unlawful or impossible by such amendment, modification or change.

SETTLEMENT OF DISPUTES

- 7.4 The Parties shall exert reasonable efforts, to amicably settle all disputes arising in connection with the TSC and this Agreement, as a condition precedent to dispute resolution which will be filed by either party with the ERC.
- 7.5 Any dispute arising in connection with the TSC and this Agreement shall be settled in accordance with the Philippine Arbitration Law (RA 876) where exclusive jurisdiction has not been vested in the ERC or any appropriate government agency. All disputes to be resolved under this section shall be filed exclusively before the proper courts of Quezon City, Philippines. No court action shall be initiated except as provided under the Philippine Arbitration Law.

SEPARABILITY

- 7.6 The TSC and this Agreement shall bind the Parties, their respective assigns, transferees, or successors-in-interest. If for any reason, any provision of the TSC and this Agreement is declared invalid by competent courts during its effectivity, the other provisions hereof which are not affected thereby shall continue to be in full force and effect.

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REPORTORIAL REQUIREMENT

7.7 For monitoring and regulatory purposes, the parties shall disclose market information and load profiles to the DOE and ERC to ensure transparency and facilitate access to market information.

ENTIRE AGREEMENT

7.8 The TSC and this Agreement and the attachments hereto supercedes any previous agreements, understanding and practices between the parties relating to the subject matter hereof. Consequent to the commercial operation of the WESM, the parties upon mutual agreement may amend, modify and/or revise any provision of the TSC and this Agreement.

IN WITNESS WHEREOF, the Parties affix their signatures this ____the day of _____ 2004 in _____.

(signatures appear on the next page)

NATIONAL POWER CORPORATION _____

By:

By:

Witnesses:

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

ACKNOWLEDGMENT

Before me, a Notary Public for and in Quezon City, Philippines, this ____ day of _____, 200__, personally appeared **MR. ROLAND S. QUILALA**, Senior Vice President For Corporate Services, National Power Corporation, and _____, with their respective Community Tax Certificates Nos. _____, issued on _____, 2004 at _____ and _____, issued on _____, 2004 at _____, known to me and to me known to be the same person who executed the foregoing instrument, consisting of thirteen (13) pages, including this page whereon the acknowledgments is written, all pages signed by both parties and, their instrumental witnesses, and they acknowledged before me that the same is their free and voluntary act and deed and that of the Corporation they respectively represents.

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

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