

Overview of FY 2015 Request for Proposals for Thermal Power Plant Bids

1. TIMELINE

Date		Contents
2015	March 27	Public Announcement of the Implementation of Bidding
	April 13	Briefing Session for Potential Bidders Publication of Request for Proposals (draft) Announcement of RFC (Request for Comments) (April 13 to May 15)
	June 23	Publication of the Results of RFC (Request for Comments) Submission of Request for Proposals (revised) to the "Thermal Power Plant Bids Working Group"
	July 31	Briefing Session for Potential Bidders (Start of Request for Proposals)
	November 27	Deadline for Submission of Proposals
2016	Around Jan.	Determination of Successful Bidder Candidates Reporting of Bidding Evaluation Report (draft) to the "Thermal Power Plant Bids Working Group"
	Around Feb.	Determination of Successful Bidders

* The above schedule may be subject to revision.

2. BEGINNING PERIOD OF PROPOSED SUPPLY/CAPACITY OF PROPOSED ELECTRICITY SUPPLY/PROPOSED TYPES OF POWER SOURCE

Item	Overview
Beginning Period of Proposed Supply	June 2021 to June 2023
Capacity of Proposed Electricity Supply	0.945GW
Types of Power Source	Power source with a load factor of 70-80%*1

*1 The bidder will choose an annual contract-based load factor within 70-80% in 1% increments.

- Bidding with supply from existing power plants or from outside of the service area of this Company, with part of the generated electricity of a power plant, or with aggregated electricity from more than one power plant is possible.
- This Company (company implementing bidding) can also submit its own bid.

(The English version is for reference purposes only.)

3. MAIN BIDDING REQUIREMENTS

(1) Ceiling Price

- The Appraisal Price of a bidder must be below the Appraisal Price of the power of this Company for which bids are being submitted (= Ceiling Price).
(The ceiling price is not publicly announced.)

$\text{Appraisal Price} = \frac{\text{Bidding Price}^{*1} \pm \text{CO2 emissions adjustment cost}^{*2} - \text{Demand area vicinity evaluation}^{*3}}{(1 - \text{Applied enterprise tax rate}^{*4})}$
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- *1 Bidding price for this Company is the cost price corresponding to the power for which bids are being submitted.
- *2 Applies in cases where this Company adjusts the CO2 emission coefficient.
- *3 Demand area vicinity evaluation: JPY 0.08/kWh (excluding tax) will be deducted if the power plant is placed in the following areas: Okayama Pref., Hiroshima Pref. (excluding Otake and Hatsukaichi Cities), and parts of Kagawa Pref., Hyogo Pref. and Ehime Pref. (service areas of this Company).
- *4 The applied enterprise tax rate is 1.2888%.

(2) Contract Supply Term

- Standard supply term is 15 years (exceptions will be considered to allow bidders to choose from 10 to 15 years).

(3) Technical Reliability

- The bidder is required to have experience in electric power generation, or have technical support of those who have experience in electric power generation.

(4) Flexibility to Fluctuation of Load Factor

- The bidder is required to have a flexibility in the annual actual load factor of $\pm 10\%$ of the annual notified load factor.

(5) Compliance with Laws, Ordinances and Other Standards

- The power plant facilities must obey the Electricity Business Act, and other acts and technical standards related to electric power generating operations such as those for environmental protection.

(6) Grid Connection (Connection of the Power Plant to the Grid)

- Upon bidding, a tentative application for studying connection and grid connection will be required if connecting the power plant to the grid.
→ This Company will investigate the connection within 3 months in principal and then provide the estimated construction period and amount of construction cost.

(7) Contracted Maximum Capacity

- The capacity that the bidder must be able to offer anytime throughout the contract supply term must be not less than 1,000kW.

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4. CALCULATING THE BIDDING PRICE

- The bidding price should be a levelized cost representing the average costs of the contract supply term.
- The bidding price must be set based on actual costs to the extent possible, and divided into categories of capital costs, operating & maintenance costs, fuel costs (linked with the CIF price) and other fuel related costs (not linked with the CIF price) of each fiscal year.
- The bidding price must include the construction costs (amount specifically borne by bidder) related to grid connection costs.
- The CO₂ emission coefficient must be adjusted to the standard emission coefficient (0.000551t-CO₂/kWh).
- In calculating the bidding price, the applied escalation of the operating & maintenance cost and the variable cost (fuel cost and other fuel related costs) must be set as 0%.

5. EVALUATION AND DECISION OF THE SUCCESSFUL BIDDERS

(1) Assigning Rank According to Evaluation Points

- Rank will be decided in order from the highest combination of points of the price and non-price factors indicated below.

Evaluation points =	Price factors	+	Non-price factors
(100 points max.)	(90 points max.)		(10 points max.)

➤ Price Factors

Evaluation Price (JPY/kWh)	= Appraisal Price + Construction costs other than power cables and similar (Costs generally to be borne)
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(If outside of the area of this Company, prices and losses due to wheeling services will be considered.)

Evaluation Factors (Points)	=	$\frac{\text{Lowest evaluation price among bidders}}{\text{Evaluation Price}}$	× 90
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➤ Non-Price Factors

	Items to Consider Regarding Non-Price Factors	Point Allocation
①	Whether the power plant facility has the function of frequency control*1	4
②	Whether the power plant facility is capable of responding to notification changes immediately prior	6 (Same day)
		4 (Preceding day)

*1 Refers to having governor-free operating capability, automatic frequency control (AFC) function and frequency fluctuation compensation function.

(2) Assigning Rank in Case of Equal Evaluation Points

- If two bidders have the same total points for price and non-price factors, they will be evaluated for each of the following items and the rank is determined accordingly (considered in numeric order).
 - ① Whether the power plant site does not exceed the emission allowances for soot, smoke and similar emissions, or has the consent of the local government.
 - ② Which bidder's power plant starts commercial operation earlier.
 - ③ Whether both the fixed and the variable costs of the appraisal price is below the fixed and the variable costs of the ceiling price.
 - ④ In case the decision cannot be made by items ① to ③, the bidder's proposal will be evaluated comprehensively from a view of factors such as the solidity of the plan.
- Successful bidders will be selected until the capacity of proposed electricity supply of 0.945GW is reached by adding in order from the first-ranking bidder.

Rank	Bidder	Summertime Output	Total Output	Successful Bidder
1	Company A	0.30GW	0.30GW	○
2	Company B	0.40GW	0.70GW	○
3	Company C	0.15GW	0.85GW	○
4	Company D	0.40GW	1.25GW	○
5	Company E	0.70GW	-	×
6	Company F	0.60GW	-	×

(3) Decision of Successful Bidders

- After the candidates are selected, this Company will submit the Evaluation Report (draft) to the "Thermal Power Plant Bids Working Group". If the Working Group confirms that the evaluation has been conducted properly according to the "Request for Proposal", the candidates will be considered as successful bidders.
- This Company will consult with each successful bidder in accordance with the Standard Contract, and a contract will be executed when both parties reach an agreement.
- After a contract is executed, this Company will publicly announce the following items at the appropriate time.
 - Names of companies supplying electricity
 - FY in which supply of electricity will start
 - Location (address) of supplier
 - Annual contract-based load factor
 - Contracted maximum capacity (Summertime output)
 - Type of fuel
 - Percentage deviation of contract and ceiling prices (This will not be publicly announced if there is only one successful bidder.)

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6. MAIN CONTRACT TERMS

(1) Delivery Charges

- Consists of two components: capacity charge and energy charge.

① Capacity charge: Total of capital costs and operating & maintenance costs.

➤ Capital costs: Fixed at the proposed annual price when the bid is submitted.

(1/12 of the annual price will be paid monthly.)

The following revisions will be made until delivery starts.

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- Incorporation of determinative settlement of connecting construction cost
- Revision of prices of civil engineering construction costs (selective system)

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➤ Operating & maintenance costs: Adjusted based on annual actual price increases (Compensations of Employee Index = CEI, Corporate Goods Price Index = CGPI, and Consumer Price Index = CPI).

② Energy charge: Calculated by multiplying the actual generation output by the following variable unit costs.

➤ Unit price for standard charge: Variable unit costs (power corresponding to that reported)

➤ Unit price for excess energy charge: Unit price for standard charge × 0.5

* Tolerance band: 3% or less of the notified generation output is considered as standard charge.

* Variable costs: CIF-linked costs will be adjusted based on fuel costs and costs not linked with CIF will be adjusted based on price.

(2) Handling of Shortfalls and Similar Cases

① If the capacity of a successful bidder falls short of the notified generation output over the tolerance band, a charge corresponding to the shortfall amount will be deducted from the capacity charge.

② If the notified generation output of this Company falls short of the annual planned capacity over the tolerance band, compensation will be provided at the end of the fiscal year for the shortfall.

(3) Electric Power for Test Operations

- In principle, this will be purchased at a price equivalent to the unit price for standard charge.

(4) Use of Notifications and Notification Changes

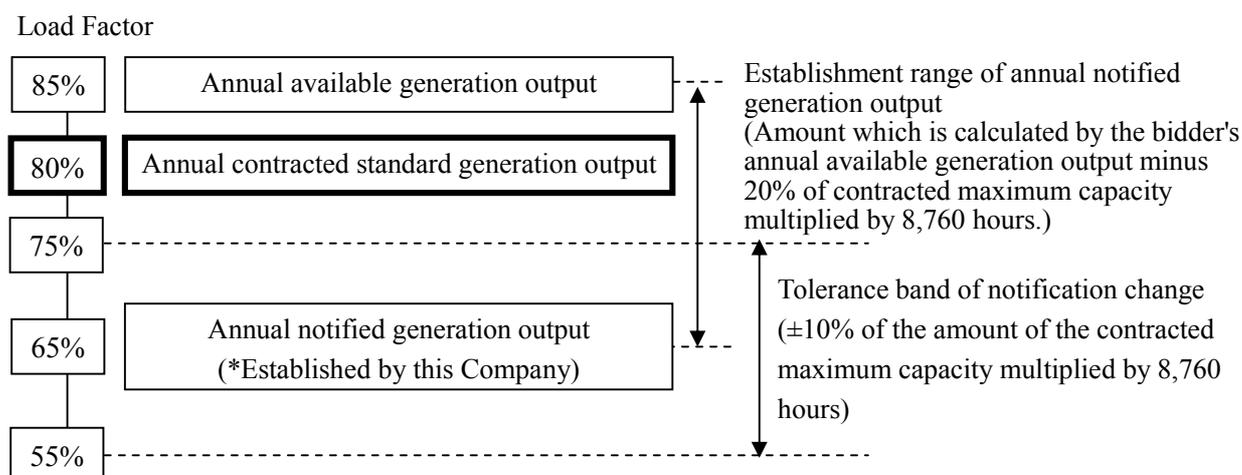
- In principle, this Company will establish notified annual generation output for each successful bidder (annual notified generation output) based on the bidder's annual available generation output (annual available generation output).

- In order to achieve lower electric retail prices, and considering the electricity supply and demand situations, conditions of a plant, and economic efficiency of the IPP power source, this Company will establish annual notified generation output in the range between the bidder's annual available generation output and the amount which is calculated by the bidder's annual available generation output minus 20% of contracted maximum capacity multiplied by 8,760 hours. This Company will provide a reason if it establishes an annual notified generation output below the bidder's annual available generation output.

- This Company will correct for the effects of reduced generation efficiency, with the details of this correction to be determined by consultation with the successful bidder.

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[Reference] Notification Range of this Company



(5) Utilization of Excess Generation Capability

- If this Company establishes a notified generation output below the generation level of the contracted maximum capacity, the successful bidder may utilize the resulting excess amount (difference) by selling to the power exchange market or others.

(6) Security Deposit

- To guarantee contract fulfillment, each successful bidder will be required to post a deposit of JPY 5,000 per 1 kW of the contracted maximum capacity.
- This deposit will be returned with the interest which would accrue in an average savings deposit account after start of operations as contracted.
- A successful bidder may submit a security letter from a bank or similar document in place of this security deposit.

(7) Modification of Delivery Commencement Date

- The date of the commencement of commercial operations may be postponed by prior notification in written form by either party with compensation priced at JPY 13.70 per 1 kW of the contracted maximum capacity per day of postponement. (In principle, the modified commencement date must be within one year after the original date.)

[Exemptions from Compensation]

- In the event either party has a reason such as extraordinary natural phenomenon.
- In the event that the commencement date will be delayed due to a reason not attributable to the successful bidder (such as local community matters) and if notice of such is provided within 18 months after the contract execution date.
- In the event that construction of the connecting facilities will be delayed due to a reason not attributable to this Company (such as acquisition of a right-of-way) and if notice of such is provided within 18 months after the contract execution date or agreement from the local community.

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(8) Dissolution of Contract

- In the event of compelling circumstances, either party may request the dissolution of the contract by providing prior notice in writing and paying the following compensations.

① Dissolution of Contract Prior to Commencement of Commercial Operation

- The following compensation will be paid if a successful bidder gives notice of dissolution.
 - a. Amount equivalent to the security deposit (If a security deposit has been provided, this Company will receive the security deposit as a penalty for contract breach.)
 - b. Actual cost required for grid connecting facilities
- The following compensation will be paid if this Company gives notice of dissolution.
 - c. Return of the security deposit (If a security deposit has been provided.)
 - * In such cases, the interest which would accrue in an average savings deposit account will also be returned.
 - d. Amount equivalent to the security deposit and costs incurred by the successful bidder for power plant construction, as well as any removal costs if incurred
 - e. If a successful bidder has constructed grid connecting facilities (power cables), the corresponding construction costs will be paid, as well as any removal costs if incurred.

② Dissolution of Contract After Commencement of Commercial Operation (In principle, notice shall be given up to seven years prior.)

- The following compensation will be paid if a successful bidder gives notice of dissolution.
 - a. Amount equal to the difference between the price of delivered energy after supply starts until the dissolution of the contract (actual contract price paid by this Company) and the bidding price (levelized price representing the average costs of the contract supply term).
 - b. Remaining book value of the grid connecting facilities plus removal costs.
 - c. Amount of the difference between the ceiling and appraisal prices (both are a levelized price representing the average costs of the contract supply term) corresponding to the remaining contract term.

However, the maximum amount of compensation shall be limited to the amount obtained by multiplying the monthly amount (obtained by multiplying the amount of fixed costs by the annual contracted standard generation output, and dividing that value by 12) by the number of months remaining in the supply term (the maximum number of months remaining in the supply term is limited to 84 months).

- The following compensation will be paid if this Company gives notice of dissolution.
 - d. Amount corresponding to the capacity charge for the remainder of the contract term.
 - * If the remainder of the contract term is longer than seven years, then the amount for seven years is the maximum limit. (c and d)
 - * Exempted if there are compelling circumstances such as extraordinary natural phenomenon. (c and d)
 - * Converted to the price at the time of dissolution. (a, c and d)

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(9) Cancellation of Contract

- If either party materially fails to adhere to the terms of the contract, the other party may demand fulfillment of the contract in writing (demand letter) and cancel the contract starting from 30 days after a demand letter is presented. In such event, the party who failed to adhere to the terms of the contract will provide compensation according to the "Dissolution of Contract".

(10) After Completion of the Contract Supply Term

- If either party requests an extension no later than three years before completion of the contract supply term, contract extension can be subject to negotiations if no compelling circumstances exist for the other party, and the contract can be extended if an agreement is reached.

* After the completion of the contract supply term, a successful bidder may sell all or part of the contracted capacity to other parties as well as this Company.

7. MISCELLANEOUS

(1) Metering Devices

- This Company, in principle, will be the owner of and install metering devices and other devices such as telecommunication devices required for instructions to supply electricity.
- In such cases, this Company shall receive compensation for the share of construction costs from the successful bidder.

(2) Electricity required during a plant outage

- A successful bidder must purchase the electricity required during a plant outage from this Company or others.

(3) Subsidiaries and Joint Ventures

- The parent corporation must submit a "joint security letter" if the successful bidder is a subsidiary or joint venture.
- Negotiations will be held in cases such as the desire for joint security by some investors or an alternative method for confirming financial soundness is desired.

(4) Bidding Application Procedures

- Affix your seal to each bidding document and submit before the deadline.

End of Document

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