

CREATING AN INTER-AGENCY COMMITTEE TO REVIEW ALL CONTRACTS ENTERED INTO BY NPC PURSUANT TO REPUBLIC ACT NO. 6957 AS AMENDED, OTHERWISE KNOWN AS THE BUILD-OPERATE-TRANSFER (BOT) LAW

ADMINISTRATIVE ORDER NO. 10, May 26, 2001

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Whereas, the National Power Corporation (NPC), in response to the energy crisis has entered into take-or-pay contracts or arrangements of similar nature with Independent Power Producers (IPPs)/Facility Operators pursuant to the BOT Law.

Whereas, these take-or-pay contracts between NPC and the IPPs/Facility Operators are perceived to contain onerous provisions grossly disadvantageous to the government that engendered high electricity rates;

Whereas, the obligations arising from these take-or-pay contracts far exceeded NPC's ability to pay, due to its assumption of currency and market risks;

Whereas, these obligations further accumulated and remained unrecovered resulting into stranded contracted costs of NPC;

Whereas, NPC, saddled with these stranded contracted costs is currently suffering substantial financial losses, which if unabated shall cause its financial collapse;

Whereas, in order to mitigate high electricity rates, stranded contracted costs and save NPC from financial hemorrhage, there is the urgent need to review all contracts of NPC entered into with IPPs/Facility Operators with the end in view of renegotiating the same.

NOW, THEREFORE, I GLORIA MACAPAGAL ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order;

SECTION 1. CREATION OF AN INTER-AGENCY COMMITTEE

An Inter-Agency Committee ("the Committee") is hereby created to review all contracts entered into by the National Power Corporation pursuant to Republic Act No. 6957 as amended, otherwise known as the Build-Operate-Transfer (BOT) Law with IPPs/Facility Operators.

SECTION 2. FORMATION/COMPOSITION

The Committee shall be composed of the representatives from the Department of Finance, Department of Energy, Department of Justice, the National Economic Development Authority and the private sector to be appointed by the President.

The representative of the National Economic Development Authority shall act as chair of the Committee with the other departments as members thereof.

The National Power Corporation shall act as the Secretariat of the Committee and provide necessary information, data, documentation, resource persons to fully enable the Committee to perform its functions.

The Committee shall immediately convene upon effectivity of this Administrative Order and shall have a life of six months from the creation thereof, extendible to a reasonable period upon recommendation of the Committee and approval of the Office of the President.

SECTION 3. FUNCTIONS

The Committee shall have the following functions:

- Conduct a review of all contracts into by NPC pursuant to the BOT Law and identify, among others, contractual provisions that affect electricity rates, relate to stranded contracted costs, require assumption of risks by NPC.
- Recommend measures that will mitigate NPC's stranded contracted costs, electricity rates and assumption of risks by NPC.
- Identify the areas of renegotiations with the Independent Power Producers/Facility Operators.
- Formulate strategies, alternatives and options for renegotiations of NPC's contracts with IPPs/Facility Operators
- Direct NPC management to renegotiate its take-or-pay contracts with the IPPs based on the Committee's findings and recommendations.
- Submit a final report on the results of such renegotiations, to the Office of the President within six months from the time of the Committee's creation
- Perform other functions as may be necessary and appropriate to achieve its objectives.

SECTION 4. EFFECTIVITY

This Executive Order shall take effect immediately

DONE in the City of Manila, this 26th day of May, in the Year of our LORD, Two Thousand and One.

(Sgd.) GLORIA MACAPAGAL-ARROYO
President of the Philippines

By the President:
(Sgd.) WALDO Q. FLORES
Senior Deputy Executive Secretary

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