

February 12, 2013

The Tokyo Electric Power Company, Inc.

## **Summary of Request for Proposals for Power Purchase 2012FY Solicitation**

### **1. TIMELINE**

November 5	Public Announcement of the Implementation of Bidding
November 13	Publication of Request for Proposals (draft) Briefing Session for Potential Bidders Announcement of RFC (Request for Comments) (11/13-11/27)
December 13	Publication of the Results of RFC (Request for Comments) Submission of Request for Proposals (revised) to the “Thermal Power Plant Bids Working Group”
December 14	1 <sup>st</sup> meeting of “Thermal Power Plant Bids Working Group”
February 15	Briefing Session for Potential Bidders
February 15	Public Announcement of Request for Proposals
May 24	Deadline for Submission of Proposals
Late June	Determination of Successful Bidder Candidates Confirmation of the Bidding Evaluation Report (draft) by the “Thermal Power Plant Bids Working Group”
Late July	Determination of Successful Bidders

\*The schedule above may be altered.

### **2. OVERVIEW OF REQUEST FOR PROPOSALS**

#### (1) Term and Capacity of Electricity Supply

- TEPCO will request proposals for the supply of the total of 2.6 GW to begin delivery from June 2019 to June 2021.

#### (2) Types of Power Source

- Base load type Power Source with an annual contract-based load factor of 70-80%.

\* The bidder will choose the load factor within 70-80% in 1% increments.

(The English version of this text is for reference only.)



(5) Compliance with Laws, Ordinances and Other Standards

- The power plant facilities must obey the Electricity Business Act and other Acts and Standards related to Electric power generating business such as environment protection.

(6) Connection of the Power Plant to the Grid

- Upon bidding, tentative application will be required regarding the connection of the power plant to the grid.
  - TEPCO will provide the estimated construction period and amount of construction cost within 3 months in principal.

(7) Contracted Maximum Capacity

- The Contracted Maximum Capacity is the capacity that the bidder should be able to offer anytime throughout the contract supply term, and should be no less than 1,000kW.

#### **4. CALCULATION OF THE BIDDING PRICE**

- The bidding price should be a flat price representing the average costs of the contract supply term.
- When calculating the bidding price, the bidder must estimate the actual capital cost, operating & maintenance cost, fuel cost (linked with the CIF price) and other fuel related costs (not linked with the CIF price) of each year as accurate as possible.
- The bidder must estimate the fuel cost according to the average of the actual cost from August 2011 to July 2012. The Japan import CIF price of this period is as follows:
  - ✓ Coal (steam coal): JPY 11,167/t
  - ✓ Crude oil (crude oil, raw oil): JPY 57,010/kl
  - ✓ Liquefied natural gas: JPY 68,488/t
- The connecting construction cost (only the amount that should be borne by the bidder) should be included in the bidding price.
- The CO<sub>2</sub> emission coefficient should be adjusted to the standard emission coefficient (0.000559t-CO<sub>2</sub>/kWh).
  - ✓ If the bidder is willing to adjust the CO<sub>2</sub> emission coefficient, the adjustment cost should be included in the bidding price.
  - ✓ If the bidder chooses to entrust the adjustment to TEPCO, there is no need to include the cost in the bidding price, since it will be included in the evaluation process.

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- Upon evaluating the operating & maintenance cost and the variable cost (fuel cost and other fuel related costs), the escalation of the costs should be set as 0%. In the actual payment, TEPCO will adjust the operating & maintenance cost and the variable cost with price index and other indexes, according to the submitted ratio.

## 5. APPLICATION

- Each Proposal should be independently sealed and submitted before the designated date.

## 6. EVALUATION AND DECISION OF THE SUCCESSFUL BIDDERS

### (1) Selection of the successful bidder candidates

- The evaluation price will be calculated by the following formula, and the bidders will be ranked according to this evaluation price.

$\text{Evaluation Price} = \text{Appraisal Price} + \text{Construction Costs other than the Connection Cost (to be borne by TEPCO)}$
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\*If the site of the power plant is outside of TEPCO service area, prices and losses according to the wheeling services of other Electric Power Companies will be considered.

- When the price is the same among two or more bidders, the following non-price items will be considered to decide the rank among them (items will be considered by the order of the numbers).
  - 1 Whether the power plant facility has the function of frequency control
  - 2 Whether the power plant site already has emission allowances or a consent of the local government
  - 3 Whether both the fixed cost and the variable cost of the appraisal price is below the fixed cost and the variable cost of the ceiling price
  - 4 Which bidder's power plant starts commercial operation earlier
  - 5 In case the decision cannot be made by items 1-4, the bidder's proposal will be evaluated comprehensively from a view of , such as , the solidity of the plan

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- The bidders will be selected as successful bidder candidates until the total output reaches 2.6GW. However, if by adding the output of the last bidder the total output exceeds 3GW, then the last bidder will not be qualified as a candidate.

Ordinary case				A case total output exceeds 3GW by adding the output of the last bidder			
Rank	Bidder	Summertime Output (33°C Maximum Output)	Total Output	Rank	Bidder	Summertime Output (33°C Maximum Output)	Total Output
1	A	0.70GW	0.70GW	1	A	0.60GW	0.60GW
2	B	0.45GW	1.15GW	2	B	0.40GW	1.00GW
3	C	1.00GW	2.15GW	3	C	0.55GW	1.55GW
4	D	0.50GW	2.65GW	4	D	1.00GW	2.55GW
5	E	0.30GW	× 2.95GW	5	E	0.70GW	× 3.25GW
6	F	0.60GW	-	6	F	0.30GW	-

## (2) Decision of successful bidders

- After the candidates are selected, TEPCO will submit the Evaluation Report (draft) to the “Thermal Power Plant Bids Working Group”. If the Working Group confirms that the evaluation is conducted properly according to the “Request for Proposal”, the candidates will be decided as successful bidders.
- TEPCO will consult with each successful bidder in accordance with the Standard Contract and conclude the contract when TEPCO and each successful bidder reach an agreement.

## 7. Major Contract Terms

### (1) Delivery Charges

- Delivery Charges paid to the seller will consist of two components: a capacity charge and an energy charge.
  1. Capacity Charge: Capital costs and operating & maintenance costs will be covered.

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- ✓ Capital costs will be fixed at the proposed annual price when the bid is submitted. One twelfth of the annual price will be paid monthly.
  - ✓ Operating & maintenance costs will be adjusted based on the following actual price indexes: Compensations of Employee Index (CEI), Corporate Goods Price Index (CGPI), Consumer Price Index (CPI).
2. Energy Charge: Energy charge will be calculated by multiplying the actual generation output by the following variable unit costs.
- ✓ Category 1 unit price: Corresponding to adjusted fuel costs (applied to contracted capacity)
  - ✓ Category 2 unit price: Priced at 75% of the Category 1 unit price (applied to the excess capacity during the time when TEPCO requires contracted maximum capacity)
  - ✓ Category 3 unit price: Priced at 50% of the Category 1 unit price (applied to the excess capacity during the time when TEPCO requires at those other than the contracted maximum capacity)
- \*Tolerance band:  $\pm 3\%$  of the contracted maximum capacity.
- \*Fuel cost (linked with the CIF price) will be adjusted based on fuel costs, and other fuel costs (not linked with the CIF price) will be adjusted based on price indexes.

## (2) Penalties

The following penalties will be assessed in the case of failure to meet contractual agreements:

### 1. Capacity Shortfall

- ✓ Except in the case of planned outages or operational contingencies, in the event that the Seller falls short of contracted capacity due to the fault of the Seller, the Seller will be assessed a penalty calculated as twice the annual capacity charge divided by the contracted energy.
- Penalty =  $2 \times [\text{Annual Capacity Charge} / \text{Contracted Energy}] \times \text{amount of shortfall (kWh)}$   
 (Tolerance band: 3% of the contracted maximum capacity)

### 2. Interruption

- ✓ In the event that generation is stopped or restricted due to an operational contingency within the Seller's responsibility, a penalty will be assessed in the amount of the capacity shortfall for the first two hour period or part thereof, calculated as the contracted energy minus the actual capacity multiplied by a stoppages penalty variable of 1.5 times the annual capacity charge divided by the contracted energy.
- Penalty =  $1.5 \times [\text{Annual Capacity Charge} / \text{Contracted Energy}] \times [\text{Contracted Energy} - \text{Actual Energy Provided (kWh)}]$

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### 3. Outage

- ✓ In the event that generation is stopped or restricted due to an operational contingency for longer than a two hour period, except in the case of a planned outage, a penalty will be assessed in the last month of the fiscal year which is equal to the amount of total accumulated shortfall which exceeds a grace band of 5% of the contracted energy multiplied by the capacity charge divided by the contracted energy.

Penalty = [Annual Capacity Charge / Contracted Energy] x [Accumulated shortfall which exceeds a grace band of 5% of the contracted energy(kWh)]

### 4. Compensation for the annual planned generation output shortfall

- ✓ In the event that TEPCO's annual notified generation output falls below annual planned generation output over the tolerance band (10% of contracted maximum capacity multiplied by 8,760 hours) due to the electricity demand and supply situation, TEPCO will compensate the shortfall multiplied by category 1 unit price in the last month of the fiscal year.

\*1 will be exempted when environment pollution regulations are issued. 2, 3 and 4 will be exempted in the event of compelling circumstances such as extraordinary natural phenomenon.

### (3) Electric Power from Test Operations

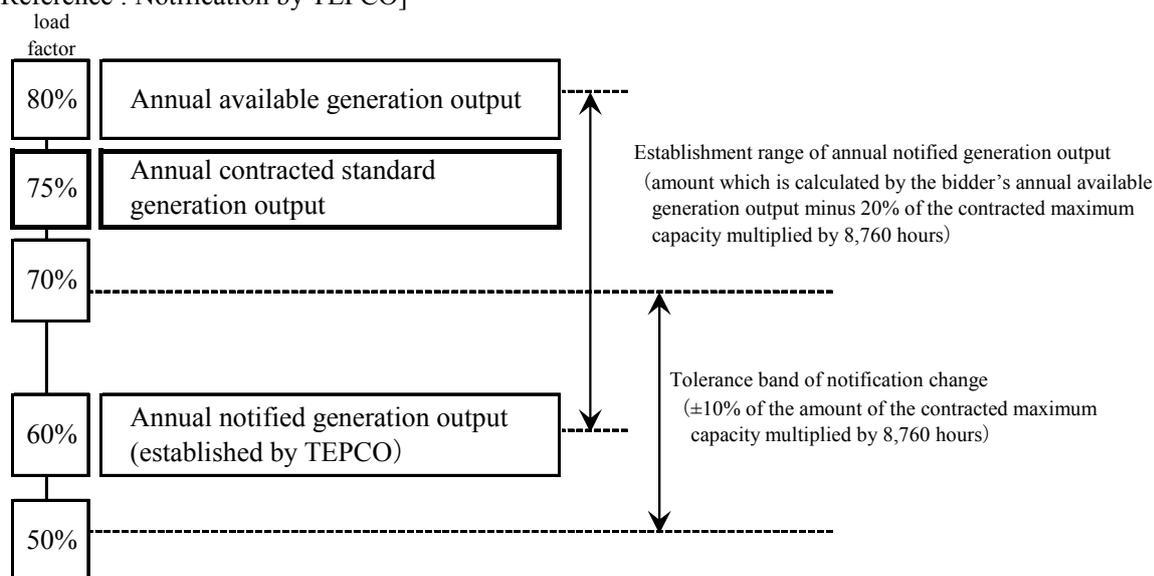
- In principle, TEPCO will purchase electric power from test operations at the Category 1 unit price.

### (4) Exertion of notification and notification change

- In principle, TEPCO will establish notified annual generation output for each successful bidder based on the bidder's annual available generation output.
- In order to achieve lower electric retail prices, considering the electricity demand and supply situation and economic efficiency of the seller's generation price, TEPCO 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. In case TEPCO establishes annual notified generation output below the bidder's annual available generation output, TEPCO will explain the reason.
- TEPCO will correct for the influence of the lowered generation efficiency by establishing the annual notified generation output. The details of the method will be determined via consultations with the successful bidder.

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[ Reference : Notification by TEPCO]



(5) Utilization of Excess Generation Capability

➤ If TEPCO establishes the notified generation output below the generation level of the contracted maximum capacity, the successful bidder may utilize its excess amount (sell to the power exchange market and others).

\*Utilization of the excess generation capability will be treated under the notice from Agency for Natural Resources and Energy dated November 2011.

(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, which will be returned with the interest which would accrue in an average savings deposit account after commencement of deliveries as contracted.

➤ The security letter from banks may be submitted in stead of the security deposit.

(7) Modification of Delivery Commencement Date

➤ The commencement date may be postponed by prior agreement between both parties. Daily compensation will be priced at JPY 13.70 per 1 kW of the contracted maximum capacity ( per day ) .

In principle, the modified commencement date shall be within 1 year after the original date.

[Exemptions from Compensation]

- ✓ Compelling circumstances such as extraordinary natural phenomenon.

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- ✓ In the event that the plant construction was not permitted due to the result of the environmental impact assessment and its inconsistency with the Achievement Plan of the Kyoto Protocol ( including its successor plan ).
- ✓ In the event that the plant construction was not permitted due to the result of the environmental impact assessment and its non-application of the Best Available Technology (BAT), because BAT's standard and qualification have not been decided at the moment.
- ✓ 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 its notice was made within 1 year after the contract date.
- ✓ In the event that construction of the connecting facilities will be delayed due to a reason not attributable to TEPCO (such as acquisition of the right-of-way) and if its notice was made within 1 year after the contract date or agreement from the local community.

#### (8) Dissolution of Contract

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

##### 1. Dissolution of Contracts Prior to Delivery Commencement

- ✓ For dissolution on the part of the successful bidder, TEPCO will retain the security deposit in its entirety. In addition, if TEPCO has commenced the construction of connecting facilities, the successful bidder will compensate TEPCO the actual costs incurred, including both the construction costs and the removal costs.
- ✓ For dissolution on the part of TEPCO, the successful bidder will be compensated for general losses incurred.

\*Exemption from Compensation is the same as the (7) Modification of Delivery Commencement Date.

##### 2. Dissolution of Contract After Delivery Commencement

- ✓ For dissolution on the part of the successful bidder, the successful bidder will reimburse TEPCO for the total of following:
  - (a) A sum equal to the amount of the Net Present Value at the time of dissolution of the difference between the actual contract price paid by TEPCO and the contract price averaged over the contract term.
  - (b) Remaining book value of the connecting facilities plus removal costs.

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(c) A sum equal to the amount of the Net Present Value at the time of dissolution of the difference between TEPCO's ceiling price and the appraisal price for the remainder of the contract term. (Maximum; seven years)

- ✓ In the event of dissolution by TEPCO, the successful bidder will be compensated for general losses incurred including profits that would have accrued otherwise.

#### (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 and cancel the contract after 30 days of non-compliance of the contract.

In such event, the party who failed to adhere to the terms of the contract will compensate according to the (8) Dissolution of Contract.

#### (10) After Completion of the Contract Supply Term

➤ TEPCO and the successful bidder may agree to a negotiation of an extension of the contract as long as either party requests an extension no later than three years before completion of the contract supply term and no compelling circumstances exist.

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

### **8. Miscellaneous**

#### (1) Metering Devices

➤ In principle, TEPCO will install metering and telecommunication devices which are required for dispatching purposes at the cost of the successful bidder.

#### (2) Electricity required during the plant outage

➤ Successful bidder is needed to purchase electricity required during the plant outage from TEPCO or other parties.

#### (3) Subsidiary and Joint Venture

➤ If the successful bidder is a subsidiary or joint venture, the parent corporation must submit a joint security letter.

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