

[NEA MEMORANDUM NO. 2005-030, October 07, 2005]

PROCUREMENT GUIDELINES FOR ELECTRIC COOPERATIVES

It has been observed that controversies arising from procurement were experienced by the electric cooperatives (ECs) resulting to conflicts between and among the Board of Directors, management, employees and even the consumers. This situation could have been avoided if the procurement policies of the ECs have been strictly followed in the bidding process. Much as we want to give the ECs a free hand in conducting their bidding, we could not help but comment that the absence of public bidding after the advertisement of the invitation to bid for the proposed project in newspapers of general circulation and the absence of complete bidding documents and specifications of the equipment and materials to be procured as well as the estimated budget cost for the project, are the reasons for the increasing number of bidding results conducted by the ECs that failed to merit NEA's approval.

Please be reminded also of Section 43 (f)(v) of the EPIRA which states that "Any significant operating costs or project investments of the TRANSCO and distribution utilities which shall become part of the rate base shall be subject to verification by the ERC to ensure that the contracting and procurement of the equipment, assets and services have been subjected to transparent and accepted industry procurement and purchasing practices to protect the public interest." Hence, we believe that it is very important for the ECs to procure the materials and equipment for their projects at the right price and quality in order to maintain low power rates to enable them to compete with other industry players in the deregulated market.

It is in this light that we are issuing the following instructions:

1. NEA has issued, and herein attached as Annex I* the pro-forma bid documents to be used as guide by the ECs in the bidding of their equipment/materials procurement. Prior to advertisement, the complete bidding documents and specifications shall be prepared for issuance to all interested bidders. For the substation equipment and accessories, a template of equipment specifications is likewise issued to guide the ECs in their procurement, attached as Annex II*.
2. The cost of the bidding documents to be charged by the ECs shall not be more than P10,000.00 which is deemed sufficient to recover expenses incurred in the publication of the Invitation to Bid in newspapers of general circulation and the reproduction of the bidding documents.
3. Bidding for the procurement of materials and equipment (not only the substation equipment and accessories) costing more than P500,000.00 shall be advertised in newspapers of general circulation for at least two (2) times