



# BENECO

BENGUET ELECTRIC COOPERATIVE, INC.  
Alapang, La Trinidad, Benguet, 2601 Philippines

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February 04, 2014

**HON. CARLOS JERICHO L. PETILLA**

Secretary  
DEPARTMENT OF ENERGY  
Energy Center Rizal Drive  
Bonifacio Global City  
Taguig City

Dear *Hon. Petilla*:

*Greetings!*

Pursuant to the call for the review, possible amendment and restructuring of Republic Act No. 9136 otherwise known as the Electric power Industry Reform Act (EPIRA) of 2001, may we respectfully submit herewith attached proposed amendments to the Electric power Industry Reform Act (EPIRA) of 2001.

Thank you and we look forward for your favorable action to this humble proposal.

Respectfully yours,

**ENGR. MELCHOR S. HIGOBEN**  
Chairman, Management Committee  
Benguet Electric Cooperative, Inc.  
(BENECO)

**ATTY. JANENE DEPAY-COLINGAN**  
President  
BENECO Supervisors' Association  
(BSA)

cc. ogm  
hrmdd-legal

**ENGR. EDISON C. CASILIO**  
President  
BENECO Employees' Labor Union  
(BELU)



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## PROPOSED AMENDMENTS TO THE ELECTIC POWER INDUSTRY REFORM ACT (EPIRA) OF 2001

### ISSUE

A distribution utility should not be constrained to limit sourcing its power requirement to not more than fifty percent (50%) of its total demand from its own generating plant or an associated firm engaged in generation.

### SPECIFIC PROVISION AFFECTED

Section 45 (b) of RA 9136:

*"(b) Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC: Provided, That such review shall only be required for distribution utilities whose markets have not reached household demand level. For the purpose of preventing market power abuse between associated firms engaged in generation and distribution, **no distribution utility shall be allowed to source from bilateral power supply contracts more than fifty percent (50%) of its total demand from an associated firm engaged in generation** but such limitation, however, shall not prejudice contracts entered into prior to the effectivity of this Act. An associated firm with respect to another entity refers to any person which, alone or together with any other person, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such entity;"* (emphasis supplied)

### PROPOSED AMENDMENTS ON THE PROVISION AFFECTED

Section 45 (b) of RA 9136:

*"(b) Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC: Provided, That such review shall only be required for distribution utilities whose markets have not reached household demand level. **A distribution utility may be allowed to source from bilateral power supply contracts one hundred percent (100%) of its total demand from its own generating plant or an associated firm engaged in generation. PROVIDED, it will result to a least pass on cost of generation charge.** An associated firm with respect to another entity refers to any person which, alone or together with any other person, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such entity;"*



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## DISCUSSION OF THE PROPOSAL

The policy of the State declared under Section 2 of the Electric Power Industry Reform Act of 2001 provides among others:

"(b) To ensure the quality, reliability, security and affordability of the supply of electric power;"

"(c) To ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;"

"(h) To promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy"

Thus, to achieve this end, the provision which provides for the restriction that: "**no distribution utility shall be allowed to source from bilateral power supply contracts more than fifty percent (50%) of its total demand from an associated firm engaged in generation**" should be reviewed and revised.

A distribution utility with potential source of energy (mini-hydro) within its coverage area like Cordillera Electric Cooperatives, or other ECs with hydro power potential as well, should be allowed to source 100 percent of its power requirement from its own generating plant or affiliate company engaged in generation.

To ensure protection of public interest or consumers of the distribution utility and to prevent market power abuse between associated firms engaged in generation and distribution, the same should only be allowed when there is a clear manifestation that it would result to a least pass on generation charge.