

**CAMARINES SUR II ELECTRIC COOPERATIVE, INC.**  
**(CASURECO II)**  
 Del Rosario, Naga City

**PROPOSED AMENDMENTS TO THE EPIRA LAW (RA 9136)**

ISSUE	SPECIFIC PROVISION AFFECTED	PROPOSED AMENDMENTS ON THE PROVISION AFFECTED	DISCUSSION OF PROPOSAL
<b>Provision of Universal Service</b>	Distribution utilities shall provide universal service within their franchise, over a reasonable time from the requirement thereof, including unviable areas, as part of their social obligations, in a manner that shall sustain the economic viability of the utility, subject to the approval by the ERC in the case of private or government-owned utilities. To this end, distribution utilities shall submit to the DOE their plans for serving such areas as part of their distribution development plans. Areas which a franchised distribution utility cannot or does not find viable may be transferred to another distribution utility, if any is available, who will provide the service, subject approval by ERC.	Distribution utilities shall provide universal service within their franchise, over a reasonable time from the requirement thereof, including unviable areas, as part of their social obligations, in a manner that shall sustain the economic viability of the utility, subject to the approval by the ERC in the case of private or government-owned utilities. To this end, distribution utilities shall submit to the DOE their plans for serving such areas as part of their distribution development plans. Areas which a franchised distribution utility cannot or does not find viable may be transferred to another distribution utility, if any is available, who will provide the service, subject approval by ERC. This transfer should consider the proximity of the said nearest distribution utility and the financial viability of the utility that will be the beneficiary of such transfer.	The said conditions would reduce technical losses of the displaced utility and would actually serve the purpose of nearing the load center to the displaced area.
<b>Direct Connection of Industrial Customers to NGCP Facilities</b>	None	Distribution utilities may exercise the power of eminent domain subject to the requirements of the Constitution and existing laws.	Given that Open Access is already in effect upon the expiration of the contracts of already Directly connected customers, they should revert back to the distribution utilities which have eminent domain over them.  Prospective customers who will apply for direct connection to NGCP facilities should

			no longer be entertained and will be part of the captive market.
<b>De-monopolization and Shareholding Proposal</b>	In compliance with the constitutional mandate for dispersal of ownership and de-monopolization of public utilities, the holdings of persons, natural or juridical, including directors, officers, stockholders and related interests, in a distribution utility and their respective holding companies shall not exceed twenty-five (25%) percent of the voting shares of stock unless the utility or the company holding the shares or its controlling stockholders are already listed in the Philippine Stock Exchange (PSE): Provided, That controlling stockholders of small distribution utilities are hereby required to list in the PSE within five (5) years from the enactment of this Act if they already own the stocks.	In compliance with the constitutional mandate for dispersal of ownership and de-monopolization of public utilities, the holdings of persons, natural or juridical, including directors, officers, stockholders and related interests, in a distribution utility and their respective holding companies shall not exceed twenty-five (15%) percent of the voting shares of stock unless the utility or the company holding the shares or its controlling stockholders are already listed in the Philippine Stock Exchange (PSE): Provided, That controlling stockholders of small distribution utilities are hereby required to list in the PSE within five (5) years from the enactment of this Act if they already own the stocks.	It has been observed that the 25% cap for controlling share has converted our market to a three headed race between three groups (Lopez, Aboitiz and San Miguel). Lowering the caps would invite better investment and enfuse healthy competition which EPIRA envisions will be the drive the prices of electricity at reasonable costs.
<b>Market Operations</b>	The wholesale electricity spot market shall be implemented by a market operator in accordance with the wholesale electricity spot market rules. The market operator shall be an autonomous group, to be constituted by DOE, with equitable representation from electric power industry participants, initially under the administrative supervision of the TRANSCO. The market operator shall undertake the preparatory work and initial operation of the wholesale electricity spot market. Not later than one (1) year after the implementation of the wholesale electricity spot market, an independent entity shall be formed and the functions, assets and liabilities of the market operator shall be transferred to such entity with the joint endorsement of the DOE and the electric power industry participants. Thereafter, the administrative supervision of the TRANSCO over such entity shall cease.	None	The implementation of the hand-over of the operations of the market operations to an independent group has long been overdue and must be enforced.

<b>Threshold for Open Access</b>	<p>Upon the initial implementation of open access, the ERC shall allow all electricity end-users with a monthly average peak demand of at least one megawatt (1MW) for the preceding twelve (12) months to be the contestable market. Two (2) years thereafter, the threshold level for the contestable market shall be reduced to seven hundred fifty kilowatts (750kW). At this level, aggregators shall be allowed to supply electricity to end-users whose aggregate demand within a contiguous area is at least seven hundred fifty kilowatts (750kW). Subsequently and every year thereafter, the ERC shall evaluate the performance of the market. On the basis of such evaluation, it shall gradually reduce threshold level until it reaches the household demand level. In the case of electric cooperatives, retail competition and open access shall be implemented not earlier than five (5) years upon the effectivity of this Act.</p>	<p>The threshold should be reviewed and considered as follows:</p> <ol style="list-style-type: none"> <li>1. Initial implementation – 4 MW and up</li> <li>2. After two years – 2 MW and up</li> <li>3. Every year thereafter – the ERC shall review the performance of the market and set the lowest threshold level.</li> </ol>	<p>It has been observed that the 1 MW threshold which produced around 800+ contestable customers were not yet capable of availing of the perks of an Open Access scenario given that we have a supply challenge. Raising the threshold for the initial implementation phase would ensure a gradual transition and the volume of customers opting for Open Access would be manageable.</p>
<b>Royalties, Tax Returns and Tax Rates for Indigenous Energy Resources</b>	<p>The provisions of Section 79 of Commonwealth Act No. 137 (C.A. No. 137) and any law to the contrary notwithstanding, the President of the Philippines shall reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels.</p>		<p>It would be beneficial for investors and consumers alike if the national government can study the exemption of Value added Tax on generation costs given the high costs of electricity.</p>

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