



06 January 2014

**UNDERSECRETARY RAUL B. AGUILOS**

Department of Energy  
Fort Bonifacio, Taguig

Dear Usec. Aguilos:

This refers to your Memorandum dated 12 December 2013 requesting for proposals on the EPIRA Amendments.

We apologize for the delay in our response due to the interregnum of the holiday break. Nevertheless, we submit the attached Comments and Proposals for your consideration.

Thank you.

Very truly yours,

  
**EDITA S. BUENO**  
Administrator

NATIONAL ELECTRIFICATION  
ADMINISTRATION

IN REPLYING, PLS. CITE: #DR023746



NER- 0R023746

*RL*  
*1/6/14*

## Comments and Proposals on EPIRA Amendments:

1. EPIRA bars cross-ownership between generation/distribution and transmission, but not between generation, distribution and supply. Safeguards should therefore be strengthened against co-ownership and abuse of market power (Section 45).
2. Possible restriction on firms with vertical market power from further acquisition of NPC generation assets to avoid "cartel".
3. Clearer guidelines on the regional generation capacity share limits to curb horizontal market power.
4. Setting of a lower limit on the amount of supply that maybe sourced through bilateral contracts by a distribution utility from its affiliate generation firm.
5. Enforce better regulation of bilateral contracts. Generation should be placed as close at *average cost* as possible and allow agreements to span life of generation plants.
6. A more defined policy on the exercise of "thorough review" of all remaining IPP contracts and provide sanctions for failure to take necessary actions in cases where contracts are found to be grossly disadvantageous or onerous to the government (Section 68).
7. Section 34 of the law states that "*a universal charge to be determined, fixed, and approved by the ERC shall be imposed on all electricity end-users*". This should be reviewed to minimize the impact on electricity rates that adds to consumers' burden.
8. A review of Section 32 of the law that mandates the government (and ultimately, the taxpayers) to automatically assume P200 billion in financial obligations of NAPOCOR should be reconsidered.