

RPR-RPM-RRA-2018-083  
May 7, 2018

**Atty. FELIX WILLIAM B. FUENTEBELLA**  
Undersecretary  
Department of Energy  
Energy Center, Rizal Drive  
Fort Bonifacio, Taguig City

Subject: **NGCP COMMENTS ON PROPOSED AMENDMENTS TO EPIRA**

Dear **Usec. Fuentebella**:

In connection with the Department of Energy's (DOE) evaluation on the implementation of the power sector reforms pursuant to Republic Act No. 9136, otherwise known as "Electric Power Industry Reform Act (EPIRA), the National Grid Corporation of the Philippines (NGCP) is pleased to provide DOE with the attached matrix of proposed amendments to the EPIRA.

NGCP reserves its right to submit additional proposals and comments should the need arises.

We hope this submission satisfies the Department's request.

Sincerely,

  
**MA. CYNTHIA Y. MARRIQUE**  
Head, Revenue and Regulatory Affairs

Att: a/s

National Grid Corporation of the Philippines  
**Proposed Amendments to the Implementing Rules and Regulations (IRR) of Republic Act No. 9136, Otherwise known as the “Electric Power Industry Reform Act of 2001 (EPIRA)”**

EPIRA – IRR Provision	EPIRA Provision	Proposed Amendments	Rationale/ Comments
Rule 4. Definition of Terms	<p>Sec. 4. <i>Definition of Terms.</i></p> <p>“Transmission Development Plan” or “TDP” refers to the program for managing the transmission system through efficient planning for the expansion, upgrading, rehabilitation, repair and maintenance, to be formulated by DOE and implemented by the TRANSCO pursuant to this Act;</p>	<p>“Transmission Development Plan” or “TDP” refers to the program for managing the transmission system, including isolated or island transmission system, through efficient planning for its expansion, upgrading, rehabilitation, repair and maintenance, to be formulated by DOE and implemented by the TransCo or its Buyer or Concessionaire, pursuant to the Act.</p>	<p>This proposes that the TDP should now include the development, operation and maintenance of the viable SPUG areas</p>
<p>Rule 6. TRANSMISSION SECTOR</p> <p>Section 5. Initial Classification of Transmission Assets</p> <p>(d) Notwithstanding the foregoing provisions, any line at the specified level for each Grid that serves an End-user or customer shall be considered a subtransmission line and any line below the specified level for each Grid that serves the transmission function shall be considered a transmission line</p>	<p>Section 7. Transmission Sector. – The transmission of electric power shall be regulated common electricity carrier business, subject to the ratemaking powers of the ERC.</p> <p>The ERC shall set the standards of the voltage transmission that shall distinguish the transmission from the subtransmission assets. Pending the issuance of such new standards, the distinction between the transmission and subtransmission assets shall</p>	<p>(d) For the avoidance of doubt, any line that is 69kV and above, as well as any line below 69kV that serves a transmission function, shall be considered a transmission line.</p>	<p>The EPIRA allows the ERC to set the standard of voltage transmission to distinguish transmission from subtransmission. It did so by starting with the standard technical transmission voltage of 69kV and above. The IRR should only distinguish that function of 69kV whether it is transmission or subtransmission</p>

National Grid Corporation of the Philippines  
**Proposed Amendments to the Implementing Rules and Regulations (IRR) of Republic Act No. 9136, Otherwise known as the “Electric Power Industry Reform Act of 2001 (EPIRA)”**

	<p>be as follows: 230 kilovolts and above in the Luzon grid, 69 kilovolts and above in the Visayas and in the isolated distribution systems, and 138 kilovolts and above in the Mindanao Grid. Provided, That for the Visayas and the isolated distribution system, should the 69 kilovolt line not form part of the main transmission grid and be directly connected to the substation of the distribution utility, it shall form part of the subtransmission system.</p>		
<p>Section 6. Initial Classification of Subtransmission Assets</p> <p>Stepdown transformers used solely by load customers are considered Subtransmission Assets.</p>		<p>Section 6. Initial Classification of Transmission Assets</p> <p>Stepdown transformers with voltage rating of 115kV and above on the primary side should be classified as transmission asset</p>	<p>Please see justification above (Section 5)</p>
<p>Rule 6. Transmission Sector</p> <p>Section 7. Functions and Responsibilities of TransCo or its Buyer or Concessionaire</p>		<p>Section 7. The TransCo or its Buyer or Concessionaire shall have, among others, the following functions and responsibilities:</p> <p>(f) To operate and maintain, improve and expand the transmission system of SPUG or the isolated distribution system in areas declared as viable by the DOE.</p>	<p>The NGCP franchise is not limited to the main grids of Luzon, Visayas and Mindanao. In fact, it authorizes NGCP to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the nationwide transmission system of the Republic of the Philippines, which should be deemed to</p>

			include SPUG areas that have been declared to be viable.
Rule 13. MISSIONARY ELECTRIFICATION	<p>Sec. 70. <i>Missionary Electrification.</i> – Notwithstanding the divestment and/or privatization of NPC assets, IPP contracts and spun-off corporations, NPC shall remain as a National Government-owned and controlled corporation to perform the missionary electrification function through the Small Power Utilities Group (SPUG) and shall be responsible for providing power generation and its associated power delivery systems in areas that are not connected to the transmission system. The missionary electrification function shall be funded from the revenues from sales in missionary areas and from the universal charge to be collected from all electricity</p>	<p>Section 5. Reliability Improvement</p> <p>(d) TransCo or its buyer or Concessionaire shall be allowed to operate, maintain, and develop the transmission system in any SPUG area that has been identified by the DOE as viable in accordance with the Rules. Subject to the approval of the ERC, TransCo or its buyer or Concessionaire shall connect the area to the main grid.</p>	<p>Isolated distribution systems should be operated by NGCP.</p> <p>NGCP can engage in transmitting electricity to SPUG areas with income classes First and Second. First Class Provinces have an average annual income of Php450 Million and above, while Second Class Provinces have an average annual income between Php 360 Million to Php449.99 Million. This classification can be used as measure of the island’s viability.</p> <p>Note that Palawan and Oriental Mindoro are classified as First Class Provinces<sup>1</sup> while Abra and Mountain Province are Third and Fourth Class, respectively, yet Abra and Mountain Province are connected to the Luzon Grid through ABRECO and MOPRECO because these are part of mainland Luzon.</p> <p>Further, NGCP can pursue its proposed interconnection</p>

<sup>1</sup> Philippine Statistics Authority -Philippine Standard Geographic Code

	<p>end-users as determined by the ERC.</p>		<p>projects with initially identified SPUG areas requiring submarine cable length of not more than 50 kilometers. The inter-island interconnection facilities should be considered as Transmission Assets.</p> <p>NGCP is a regulated entity and can be a Transmission Network Provider and System Operator in Small Island Grids even if these are not yet connected to the transmission system.</p> <p>NGCP’s mandated function as the Transmission Network Provider is the operation and maintenance of the country’s electric transmission system. Under Section 1 of Republic Act 9511<sup>2</sup>, NGCP is given the exclusive authority to engage in the business of conveying or transmitting electricity through high voltage back-bone transmission system.</p>
<p>Rule 18. THE UNIVERSAL CHARGE</p>		<p>NGCP should be allowed to interconnect SPUG areas to the main grid. The interconnection should be classified as Transmission Asset.</p>	<p>This is to reduce the cost of UC ME and allow extension of the grid to these areas to spur economic development.</p>

<sup>2</sup> “An Act Granting the National Grid Corporation of the Philippines a Franchise to Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for Other Purposes”