

35th Electric Power Industry Reform Act (EPIRA) Implementation Status Report

(For the Report Period October 2019)

Prepared by the
Department of Energy

With Contributions from

Energy Regulatory Commission
Philippine Electricity Market Corporation
National Power Corporation
National Electrification Administration
Power Sector Assets and Liabilities Management Corporation
National Transmission Corporation



TABLE OF CONTENTS

I. EXECUTIVE SUMMARY.....	2
II. PRIVATIZATION.....	3
A. Generating Assets and Independent Power Producer (IPP) Contracts.....	3
B. Other Disposable Assets.....	5
C. Privatization Proceeds	7
D. Concession of the National Transmission Network	8
A. Sale of Sub-Transmission Assets (STAs).....	8
III. PSALM LIABILITY MANAGEMENT	10
IV. ELECTRICITY RATES.....	12
V. COMPETITION.....	21
A. WESM Operational Highlights.....	21
B. Updates on WESM Governance Activities	24
C. Market Development Updates.....	34
D. Retail Competition and Open Access (RCOA)	36
E. Generating Capacity Market Share and Concentration	39
F. Market Concentration.....	41
VI. POWER SUPPLY SECURITY AND RELIABILITY.....	43
A. Peak Demand	43
B. Installed and Dependable Capacity.....	43
C. Power Projects.....	46
D. Significant Incidents in Luzon, Visayas, and Mindanao	48
E. Distribution Infrastructure Projects	49
VII. TOTAL ELECTRIFICATION	50
VIII. PROMOTION OF RURAL ELECTRIFICATION.....	57

ANNEXES

Annex 1. TRANSCO and PSALM TRFLAT Confirmation Report on NGCP's Compliance with the Concession Agreement for CY 2017.....	61
Annex 2. TransCo Inspection Report Based on Concession Agreement	78
Annex 3. NGCP Related Petitions to ERC as of October 2019.....	81
Annex 3. ERC Approved Capital Expenditure Projects.....	89

I. EXECUTIVE SUMMARY

The 35th Status Report on Electric Power Industry Reform Act (EPIRA) of 2001 implementation covers the period May to October 2019 which includes significant accomplishments, developments and continuing challenges undertaken by the attached agencies as mandated under the EPIRA.

The Power Sector Assets and Liabilities Management Corporation (PSALM) will commence the second round of bidding tentatively in November 2019 held for the privatization of the Malaya Thermal Power Plant and continue to privatization activities other remaining plants and National Power Corporation-Independent Power Producer (NPC-IPP) contracts, and the disposal of other disposable assets to include real estate and unserviceable assets, and waste and junk materials. With regard to the reduction in PSALM's foreign debts, as of September 2019, the remaining balance is down to PhP425 billion from the peak of PhP1.23 Trillion as of year 2003 or a decrease of PhP816 billion from the enactment of the EPIRA in 2001.

The Independent Electricity Market Operator of the Philippines (IEMOP) continuously accepts registration requirements from Wholesale Electricity Spot Market (WESM) Mindanao participants. Further, all Mindanao Stakeholders, PEMC, IEMOP (as Market Operator), NGCP (as System Operator and Metering Service Provider), Generation Companies, Private Distribution Utilities, Electric Cooperatives, and Directly Connected Customers are being assessed for their respective readiness to implement WESM in Mindanao.

With regard to the implementation of the Retail Competition and Open Access, the DOE promulgated further adopted policies thru Department Circular No. DC2019-07-0011, entitled "Amending Various Issuances on the implementation of RCOA" which provides for the voluntary registration of the CCs in the WESM as Trading Participants and designating the IMO as the Central Registration Body.

In terms of the electricity pricing as of June 2019, the country's average electricity rates is around PhP8.71/kWh, PhP0.14 centavos higher compared with the March 2019 national average systems rate. For Luzon grid, as of June 2019, the rate was around PhP9.28/kWh compared in March 2019 at PhP8.66/kWh. For Visayas, it increased by 6 centavos/kwh while in Mindanao grid, there was a decrease by 43 centavos/kWh.

The country's total peak demand in the first half of 2019 was recorded at 15,713 MW, which is 931 MW or 6.3% higher than the 14,782 MW in 2018. The Luzon grid contributed 11,476 MW or 73.0% of the total demand with an increase of 600 MW or 5.5% from the 2018 peak demand of 10,876 MW, while Visayas and Mindanao contributed a share of 14.2% (2,224 MW) and 12.8% (2,013 MW), respectively.

The household electrification level as of September 2019 is around 98.33%. Said level corresponds to 22.60 million energized HHs out of 22.98 million identified and targeted HH population based from the 2015 Census of the Philippine Statistics Authority (PSA).

II. PRIVATIZATION

A. Generating Assets and Independent Power Producer (IPP) Contracts

During the report period, the Final Asset Purchase Agreement (APA) for the privatization or sale of the Malaya Thermal Power Plant (MTPP) was revised based on the review done by the Office of the Government Corporate Counsel's (OGCC).

- On 26 June 2019, PSALM received Governance Commission's (GCG) letter dated 10 June 2019 transmitting OGCC's letter dated 06 May 2019 regarding the parameters of contracts requiring the review of the OGCC, pursuant to Section 4.3 of GCG MC No. 2018-02.
- On 01 July 2019, in compliance with the above MC, PSALM transmitted the APA for the sale of Malaya plant to OGCC for review and on 24 July 2019, PSALM received OGCC comments and suggestions to Malaya APA.
- On 29 July 2019, the Technical Working Group for Malaya privatization met with OGCC to clarify OGCC comments and discuss revisions made in the APA. Thereafter, the Privatization, Bids and Awards Committee reviewed and approved revisions to APA consistent with OGCC comments and suggestions.
- On 06 August 2019, PSALM sent a letter to Philippine Competition Commission (PCC) informing the latter of the Malaya privatization. On 07 August 2019, PSALM had a pre-notification consultation with PCC on the implication of the upcoming Malaya privatization on PCC's mandate, guidelines and processes.

According to PCC, Malaya privatization falls under mergers and acquisitions and shall be covered by PCC's compulsory notification requirements if the value of the transaction exceeds PhP2.2 Billion and if the aggregate annual gross revenue of the ultimate parent entity (UPE) of at least one of the acquiring or acquired entities, including that of all entities that the UPE controls, directly or indirectly exceeds PhP5.6B. Compulsory notification should be done only after the contracting party have been identified (i.e. upon determination of the highest-ranking bidder or issuance of the notice of award).

In view of the mandatory review by OGCC on the Malaya privatization agreement, PSALM issued a revised timeline for the privatization of Malaya TPP as follows:

Activity	Date
Board Approval and Confirmation of the Revised General Terms and Conditions of the APA and Issuance of the APA to Qualified Bidders	28 August 2019
Issuance of the Final APA to Qualified Bidders	06 September 2019 or earlier date
Board Setting of the Reserve Price	18 September 2019
Bid Submission & Opening and Declaration of the Highest-Ranking Bidder	18 September 2019
Board Approval of the Notice of Award and Certificate of Effectivity	25 September 2019
Issuance of NOA and COE to Winning Bidder	Within 30 days from declaration of the Highest-Ranking Bidder
Closing	At least 30 days from Effective Date
Joint Inventory of Purchased Assets	Within 3 days from receipt of notice of intended delivery of closing deliveries
Closing Date/Turnover of Purchased Assets	2 days from Closing or earlier set by Parties

On 18 September 2019, the PSALM Bids and Awards Committee declared failure of the first round of bidding for the sale of MTPP and its underlying land, with only AC Energy Inc. formally submitting a bid. The declaration is in accordance with the bidding rules.

Consequently, PSALM identified a new timetable for the second round of bidding for MTPP, as approved by its Board, as follows:

Activity	Inclusive Dates
Publication of ITB	<u>6,7,8 October 2019</u>
Submission of Letter of Interest	<u>7 October 2019</u> until 1 day prior to Documentary Deliverables Deadline
Submission of Confidentiality Agreement and Undertaking and Payment of Participation Fee	<u>7 October 2019</u> until 1 day prior to Documentary Deliverables Deadline
Issuance of the Bidding Package	<u>7 October 2019</u> until 1 day prior to Documentary Deliverables Deadline
Due Diligence Period	<u>7 October 2019</u> until 2 business days prior to Bid Submission Deadline
Pre-Bid Conference	<u>24 October 2019</u>
Submission of Documentary Deliverables Deadline for Initial Checking	<u>25 October 2019</u>
Notice to Bidders on its compliance based on initial submission of Documentary Deliverables	<u>29 October 2019</u>
Consortium Request Deadline	<u>29 October 2019</u>
Submission of Final Documentary Deliverables Deadline	<u>07 November 2019</u>
Evaluation of Documentary Deliverables	<u>08 November 2019</u>
Presentation of Final APA to BRC **	<u>12 November 2019</u>
Board approval of Final APA and issuance of APA to Qualified Bidders **	<u>12 November 2019</u>
Setting of the Reserve Price by the Board **	<u>12 November 2019</u>
Release of Final APA to Qualified Bidders	<u>13 November 2019</u> or not later than 7 days prior to Bid Submission Deadline
Release of Reserve Price to Qualified Bidders through a SBB	<u>18 November 2019</u>
Bid Submission Deadline	<u>22 November 2019</u>
Bid Opening and Evaluation; Declaration of Highest-Ranking Bidder	<u>22 November 2019</u>
Board approval of the Award **	<u>28 November 2019</u>
Issuance of Notice of Award, signing of APA, issuance of APA to Winning Bidder	<u>29 November 2019</u> or within 30 days from declaration of the Highest-Ranking Bidder
Submission to PCC	<u>29 November 2019</u>
Issuance of the Certificate of Effectivity of the APA	<u>19 December 2019</u> (tentative) or 2 business days from receipt of PCC clearance
Closing	<u>20 December 2019</u> or within 30 days from receipt of certificated of effectivity
Closing Date	2 business days from Closing

Note: ** Activities that need BRC/Board's presence

For the second round of bidding, PSALM maintains the same terms and conditions of the bidding procedures and Asset Purchase Agreement as in the first round of bidding. Meanwhile, disclosure of the Reserve Price through a Supplemental Bid Bulletin (SBB) will be made not earlier than five (5) days prior to Bid Submission Deadline. This is an exemption to PSALM's general practice for privatization activities.

In case of failure of the second round of bidding due to only one bid received, at a price not lower than the Reserve Price, the Negotiated Sale with the lone bidder will immediately be undertaken.

For the remaining generating assets, the latest privatization target is indicated in Table 1.

Table 1. Schedule of Privatization for Generating Assets as of 30 September 2019

Asset Type/ Plant Name	Rated Capacity (MW)	Bid Date	Turnover Date
Owned Generating Plants			
Malaya Thermal Power Plant	650.00		2019
Agus 1 & 2 Hydro	260.00	For Rehabilitation Privatization is subject to consultation with Congress and PSALM Board's policy direction	
Agus 4 & 5 Hydro	213.10		
Agus 6 & 7 Hydro	273.00*		
Pulangi Hydro	255.00		

*Capacity increased by 19 MW as a result of Agus VI Units 1 & 2 Uprating
Source: PSALM

Meanwhile, for the selection and appointment of IPP Administrators, the latest privatization target is indicated in Table 2.

Table 2. Indicative Privatization Schedule for the Appointment of IPPAs as of 30 September 2019

Grid	Plant Name	Contracted Capacity (MW)/Energy (GWh)	Bid Date	Turnover Date
Luzon Grid	Casecnan Multi-Purpose Hydro	228.00 GWh		2021
	Caliraya-Botocan-Kalayaan Hydro	797.92 MW		2022
Mindanao Grid	Mindanao Coal-Fired	200.00 MW		2023

Source: PSALM

Relatedly, PSALM sought the services of the Asian Development Bank (ADB) in the conduct of a study that will determine sound privatization options for PSALM's remaining IPP contracts. The proposed terms of reference for the proposed technical assistance by ADB was presented by PSALM to ADB and DOF and the same was finalized last 11 October 2019. The said TOR covers the study on privatization of CBK and Casecnan IPP plants. Pending agreement of the conduct of the study, PSALM has revised the privatization schedule for the CBK HEPPs from 2019 to 2020/2021.

B. Other Disposable Assets

For the sale of other disposable assets which include real estate and unserviceable assets, waste and junk materials, following are the updates on PSALM's bidding activities:

1. PSALM's Real Estate Assets (REA)

- Disposal of REA (lands underlying sold power assets)

On 06 May 2019, PSALM held a meeting with Masinloc Power Partners Co., Ltd. (MPPCL) regarding the required documents to effect the assignment of the optioned assets to MPPCL's affiliate/intended assignee.

2. Disposal of REA through Public Bidding

- Bauang Diesel Power Plant (BDPP) Land

On 16 May 2019, a meeting was conducted with NPC that discussed the updated master list of BDPP Land. PSALM subsequently sent a letter to DENR Region 1 on 20 May 2019 requesting for cadastral map of BDPP Land. The finalization of the MOA between PSALM and Provincial Government of La Union is currently ongoing.

- Cebu Diesel Power Plant (DDP) Land

On 22 May 2019, a PBAC meeting was held and had discussed the minimum bid price for the sale of Cebu DPP land. On 29 May 2019, PSALM sent a letter to DENR Cebu requesting for the cadastral map of Cebu DPP Land.

- Aplaya DPP Land

On 22 May 2019, a PBAC meeting was held and had discussed the minimum bid price for the sale of Aplaya DPP land. PSALM subsequently sent a letter to DENR Cagayan de Oro on 29 May 2019 requesting for cadastral map of Aplaya DPP Land.

- Puerto Azul Condominium Units and Club Share

On 27 May 2019, PSALM published the Invitation to Bid (ITB) for the procurement of third party appraiser.

- Architectural Concept Design Competition for Diliman Property

On 03-05 July 2019, PSALM held the selection process on the designs submitted by WTA Design Studio as the winning conceptual design for PSALM's Diliman property.

The WTA Design Studio's conceptual design entry entitled "The East Grid" was selected for its multi-dimensional people-oriented concept of developing a new environmentally friendly business center that integrates energy efficient systems and innovative and sustainable design ideas. This design entry assimilates pedestrian friendly spaces, interactive installations, bike trails, green promenades, alfresco spaces, and play areas into a development that will ensure a net leasable space of about 400,000 square meters.

This winning conceptual design of WTA Design Studio will be utilized by PSALM as the basis for the master planning and the privatization options for the Diliman Property, a 5.195-hectare asset of PSALM located at Quezon Avenue corner BIR Road, Quezon City. The architectural conceptual design competition is a critical component of the company's privatization program.

The plan is to develop the Diliman property into a commercial center with high-rise mixed-use development, offering both office spaces and retail spaces. It will be an accredited economic zone that will also provide offices for PSALM, the National Power Corporation, TRANSCO and other members of the Energy family that would like to move to the said location. The design contest specifically required that the design entries would have to integrate into such development the existing two (2) buildings designed by the National Artist Leandro V. Locsin, in compliance with the requirements of the National Cultural Heritage Act of 2009.

The selection committee is composed of representatives from the United Architects of the Philippines, the Philippine Institute of Environmental Planners, the UP College of

Architecture, the National Commission for Culture and the Arts, the Quezon City Planning Development Office, the Bases Conversion and Development Authority, and officials of the Department of Energy and Department of Finance, and PSALM.

- Bagac Property

The DOE expressed concerns on the privatization of the Bagac Property that there are potential uses for the Bagac Property in relation to the nuclear power program that the DOE seeks to pursue. Thus, PSALM suspended the design contest for the master planning of Bagac property.

- Sale of Land Underlying Defunct Laoag Diesel Power Plant located in Brgy. 21, P. Gomez St., Laoag City Ilocos Norte

On 22 May 2019, the PBAC's approval of the terms and conditions of the sale, timeline and setting of the minimum bid price was sought, however, it was decided that the matter will be elevated to the PSALM Board.

Top Consult, Inc. (TCI) and Value Metrics, Inc. (VMI) submitted to PSALM their revised valuation report on 17 May 2019 and 27 May 2019, respectively.

3. Disposal of REA through Other Modes

- Tiwi Geothermal Power Plant Land

On 21 May 2019, PSALM sent a letter to the Mayor's Office of Tiwi, Albay pertaining to the Omnibus Request for Certain Documentary Certifications for the Acquisition of PSALM's Parcels of Land. Accordingly, a letter was sent to National Housing Authority (NHA) on 21 May 2019 requesting for certain documentary certifications relative to Putsan, Tiwi, Albay Property.

- Paranaque Properties

The PSALM Board authorized the PSALM Management to negotiate with the NHA the disposal of the 4.1-hectare lots in line with the implementation of E.O. 68, S. 2002. In this regard, PSALM sent a letter to NHA and City Governor of Parañaque on 02 May 2019 relative to certain requisites and documentary certification.

C. Privatization Proceeds

As of 30 September 2019, PSALM, through the privatization of generation assets, the transmission business, and the IPP contracted capacities, has generated a total of PhP909 billion. Also, the actual collection amounted to PhP582 billion.

Table 3. Privatization Proceeds as of 30 September 2019, (in PhP Billion)

Privatization Assets	Generated	Collected	Balance
Generating Assets	162.79 ^{1/}	162.79	-
Decommissioned Plants	0.64	0.64	-
Transmission Asset (TransCo)	264.80 ^{2/}	182.00	80.71
Appointment of IPPAs	481.09	234.76 ^{3/}	229.08 ^{4/}
TOTAL	909.32	582.29	306.79

1/ Includes priva related account such as interest on deferred payments, lease rental, land settlement price and option prices.

2/Privatization Proceeds relative to concession fees are inclusive of Interest on deferred payment

3/ Collections include adjustments in IPPA proceeds based on IPP plant operation

4/ Remaining IPPA receivable at June booking rate PhP42.750 = \$1

Source: PSALM

PSALM utilizes its privatization proceeds to cover maturing obligations such as regular debt service, debt prepayment, IPP obligations, TransCo operating expenses, and other privatization-related expenses.

Total collections of PhP582 billion as of September 2019, including interest income on placements, were exclusively utilized for the liquidation of financial obligations amounting to PhP638 billion as of September 2019.

Table 4. Privatization Proceeds Utilization as of 30 September 2019

Particulars	In US\$ Billion
Debt Prepayment	66.19
Regular Debt Service	383.47
Lease Obligations	187.99
<i>Subtotal</i>	<i>637.65</i>
Others	5.02
TRANSCO Opex	0.05
TOTAL	642.72

USD1:PhP51.013 (BSP Guiding Rate dated 31 July 2019)

Source: PSALM

D. Concession of the National Transmission Network

Pursuant to the Concession Agreement (CA) between the Government and the National Grid Corporation of the Philippines (NGCP), Republic Act No. 9511 or the Franchise Law and the Construction Management Agreement (CMA), the National Transmission Company (TransCo) continues to monitor the performance and compliance of NGCP to these Agreements.

For the report period, the Joint PSALM-TransCo Technical, Regulatory, Financial and Legal Compliance Assessment Team (TRFLAT) reported that there were 16 provisions in the CA that were not complied by NGCP covering CY 2017. On 19 January 2019, the TRFLAT wrote NGCP on this matter requiring them to respond and act to avoid any occurrence of events of default by the Concessionaire. On 22 April 2019, NGCP provided their response to the said non-compliance of 16 provisions in the CA. On 15 August 2019, the TRFLAT wrote NGCP providing corresponding confirmation on said NGCP's responses as reflected in Annex 1.

Meanwhile, TransCo continues on the conduct of inspection of the assets condition and Project Under Construction (PUC) accomplishments consistent with the inspection protocol established with the concessionaire. Annex 2 shows the summary of TransCo Inspection Report based on CA.

A. Sale of Sub-Transmission Assets (STAs)

The sale of TransCo's sub-transmission assets involves 198 sale contracts with 107 interested distribution utilities (DUs), most of which are electric cooperatives. The sub-transmission assets include around 4,092 ckt-km. of mostly 69 kV transmission lines and 860 MVA of substation capacity.

As of 31 October 2019, TransCo has signed 116 sale contracts with 95 DUs/ECs/consortia amounting to PhP6 billion. These sales cover an aggregate length of 3,836 ckt-kms of sub-transmission lines and 34,184 sub-transmission structures and 835 MVA of substation capacity. Of the 116 sale contracts, 64 contracts with total sale price of PhP4.1¹ billion have

¹ The total ERC approved amount of PhP3.005 Billion is lower compared to the total approved/disapproved/dismissed contract amount of PhP4.074 Billion due to the following reasons:

- a. Exclusion of some assets from the ERC approval due to reclassification from sub-transmission to transmission assets;
- b. The lower amount of valuation was used as basis of the ERC approval;
- c. Exclusion of some assets from the ERC approval since said assets are not yet connected to the sold assets;
- d. Exclusion of some assets from the ERC approval due to decommissioning;
- e. DU withdrawal from the Joint Application pertaining to the divestment of sub-transmission assets; and

been approved, approved with modification, and disapproved. Included in the said 64 contracts are nine (9) contracts amounting to PhP373.3 million disapproved as of October 31, 2019 and posted at the ERC website. The rest of the sale contracts are for filing with the ERC for evaluation and approval.

Following the EPIRA provision to extend concessional financing to ECs, TransCo implemented Lease Purchase Agreements (LPAs) with an amortization period of 20 years. Of the 116 sale contracts already signed, 79 are mostly under LPAs with 68 ECs/consortia, valued at around PhP4.136 billion. The remaining 37 involved sales to private DUs/consortia.

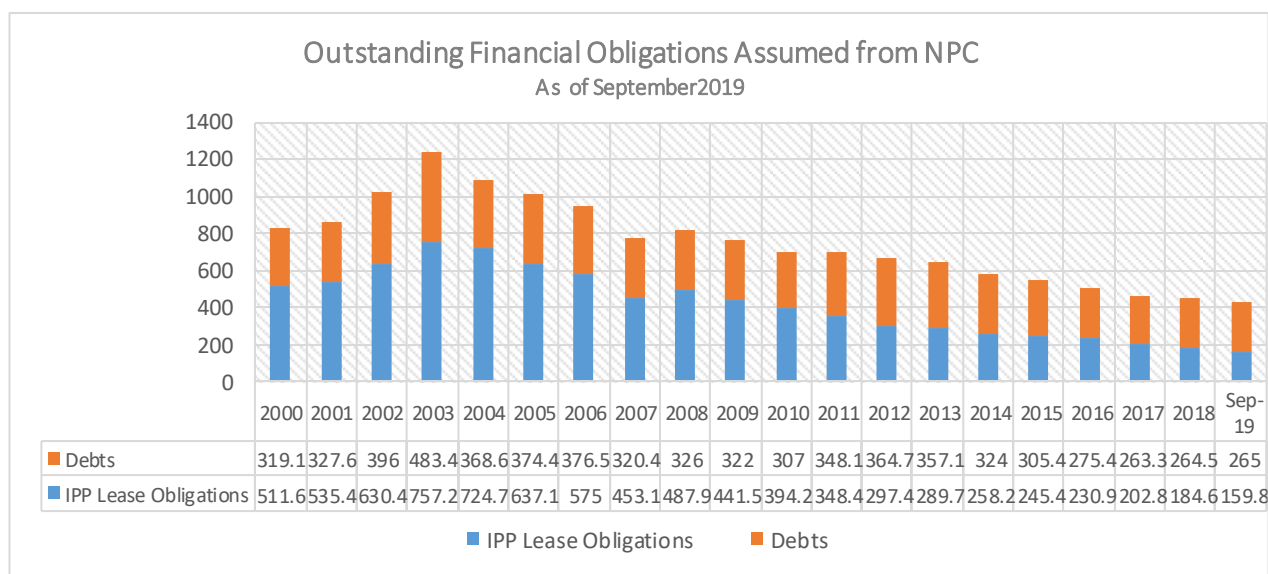
f. *The STAs in the sale contract/s should have been sold to a consortium instead of a single DU because the STAs were in a super loop configuration.*

III. PSALM LIABILITY MANAGEMENT

As of September 30, 2019, PSALM's financial obligations was reduced to PhP425 billion or a decrease of PhP816 billion from 2003 peak level of PhP1.2 trillion. In terms of currency, more than half (72.2%) of PSALM's Financial Obligations (FOs) is denominated in dollars, amounting to PhP314.98 billion. Peso-denominated FOs of PhP91.88 billion accounts to 21.1%, while the remaining FOs amounting to PhP29.44 billion equivalent to 6.7% is in Japanese Yen.

Figure 1 below shows the movement of the financial obligations of PSALM from 2000 to June 2019.

Figure 1 - PSALM's Outstanding Financial Obligations Assumed from NPC



Source: PSALM

Table 5. Financial Obligations (FOs) as of 30 September 2019

	PhP Equivalent (In Billions)
Debts	264.97
IPP Lease Obligations	159.78
Total	424.75

Source: PSALM

Table 6. Financial Obligations by Currency as of 30 September 2019

Currency	Amount in PhP Equivalent (In Millions)	% to Total
USD	301,708.34	71.0%
PHP	93,298.59	22.0%
JPY	29,744.03	7.0%
Total	424,750.96	100%

Exchange Rates Used: BSP Guiding Rate dated 30 September 2019

USD : PhP 1.00 = 52.0420: JPY: PhP 1.00 = 0.4820

Source: PSALM

Debt Financing/Loan Financing

On 16 May 2019, PSALM received the net drawn amount of USD1,093,359,350.53 after the deduction of the applicable fees. The syndicated loan is payable within five (5) years and 1 day with an interest of three (3)-month US Libor plus 70 bps. On 28 June 2019,

the amount of PhP3.0 Billion was drawn from the PhP30 Billion Loan Agreement payable for seven (7) years. The repayment of this particular drawdown is only until 01 June 2026.

IV. ELECTRICITY RATES

This Section provides updates on electricity price data and other significant related developments based on information from the ERC, TransCo, PSALM, NPC, NEA and distribution utilities, among others. Some of submissions particularly on electricity rates submitted by electric cooperatives lag by three months as the NEA have to collect them from the ECs on a monthly basis and process in accordance with their preferred format.

A. Average Electricity Rates

The country's average electricity rates as of June 2019 is around PhP8.71/kWh, 14 centavos higher compared with the March 2019 national average systems rate. Biggest increase in rate was posted in the Luzon Grid from PhP8.66/kWh in March 2019 to PhP9.28/kWh in June 2019 or an increase of 62 centavos/kWh. Visayas average systems rates also increased by 6 centavos/kWh while Mindanao grid decreased by 43 centavos/kWh.

Meanwhile, the ECs' average systems rate for June 2019 is at PhP9.97/kWh, 5 centavos higher compared to March 2019 rate. Among the three grids, Luzon and Visayas grids recorded higher rates for June 2019 billing month with increase of 13 centavos/kWh and 17 centavos/kWh, respectively, while Mindanao grid average systems rate decreased by 13 centavos/kWh.

As shown in Table 7, the ECs' national average unbundled residential electricity rate for June 2019 was PhP9.87/kWh. Visayas grid still has the highest average unbundled

residential electricity rates at around PhP10.15/kWh of which generation costs comprise 59%. On the average, generation costs comprise the bulk of ECs residential rates at around 57% with Mindanao EC residential customers paying the lowest generation costs at PhP5.12/kWh. Distribution, supply and metering charges (DSM) was the second largest component of EC residential rates at 18%.

The national average systems rates of PIOUs posted an overall increase of 24 centavos/kWh from PhP7.21 per kWh in March 2019 to PhP7.45/kWh in June 2019. While compared to ECs, the average PIOU rates are lower due to several economiz zones rates which are highly industrial rates. Luzon grid posted the

Figure 2 - National Average Systems Rate

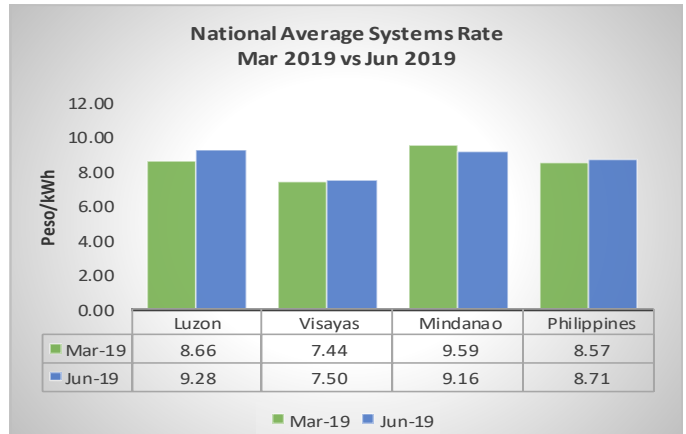


Figure 3 - Electric Cooperatives' Average Systems Rate

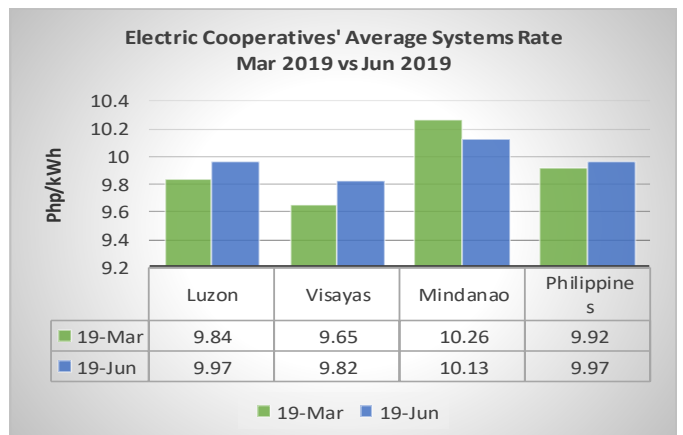
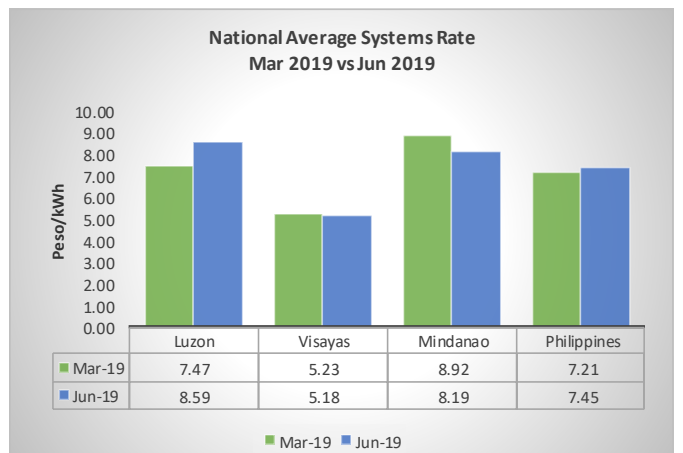


Figure 4 - Private Distribution Utilities' Average



highest increase 1.12 centavos/kwh while the Visayas and Mindanao grids decreased by 5 centavos/kWh and 73 centavos/kwh, respectively.

Table 7. EC's Unbundled Average Residential Electricity Rates, June 2019

Bill Subgroup	LUZON		VISAYAS		MINDANAO		NATIONAL	
	PhP/kWh	% share	PhP/kWh	% share	PhP/kWh	% share	PhP/kWh	% share
Generation	5.76	57.89	5.94	58.54	5.12	54.59	5.64	57.12
Transmission	0.89	8.91	0.68	6.71	0.93	9.92	0.84	8.53
System Loss	0.79	7.87	0.71	6.98	0.76	8.04	0.76	7.66
DSM ¹	1.71	17.12	1.82	17.93	1.69	18.02	1.73	17.56
RFSC ²	0.36	3.62	0.36	3.55	0.49	5.25	0.40	4.01
Other Charges ³	(0.05)	(0.53)	0.10	1.02	(0.08)	(0.87)	(0.00)	(0.01)
Subsidy Charges ⁴	0.01	0.11	0.05	0.54	0.02	0.25	0.03	0.27
Universal Charges ⁵	0.48	4.80	0.45	4.39	0.43	4.57	0.46	4.61
Other Taxes ⁶	0.02	0.21	0.03	0.34	0.02	0.23	0.02	0.25
Total	9.98	100	10.15	100	9.39	100	9.87	100

Source: NEA

Notes:

¹ Distribution, Supply and Metering Charges

² Reinvestment Fund for Sustainable CAPEX

³ Loan Condonation & PEMC-SPA Charge

⁴ Lifeline & Senior Citizen Subsidy/Discount

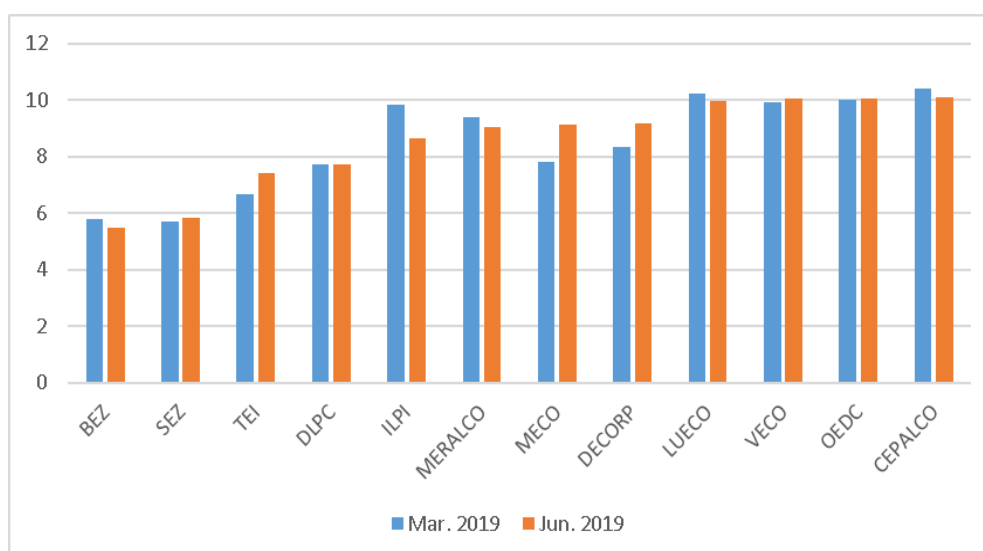
⁵ Missionary Electrification, Environmental Charges, NPC Stranded Cost

⁶ Local Franchise & Business Taxes, Real Property Tax

Among the PIOUs, Cagayan Electric Power and Light Company in Mindanao posted the highest average power rates for the billing month of June 2019 PhP10.12/kWh followed by Olongapo Electricity Distribution Company (OEDC) in Luzon at PhP 10.07/kWh. On the other hand, the lowest average rate was noted for Balamban Enerzone in Visayas at PhP5.47/kWh which is still lower by 30 centavos compared to its March 2019 average systems rate.

The highest increase in rates was noted for Mactan Electric Company at 16.9% from PhP7.83/kWh in March 2019 to PHP9.15/kWh in June 2019. On the other hand, Iligan Light and Power Company posted the highest decline of PhP1.19/kWh from its June 2019 average systems rate of PhP9.84/kWh.

Figure 5 – Private Investor-Owned Distribution Utilities Average Electricity Rates



The average systems rate of MERALCO, the largest distribution utility in the country, went down by 3.7% from PhP9.41/kWh in March 2019 to PhP9.00/kWh in June 2019. Further in September 2019, MERALCO's average rates continued its downward movement at Ph8.01/kWh due mainly to lower generation costs.

Among the different customer classes, MERALCO's residential customers pay the highest electricity rates at PhP9.44/kWh followed by commercial at PhP7.86/kWh and industrial customers with PhP6.73/kWh.

Table 8. MERALCO Unbundled Power Rates per Customer Class, September 2019 (PhP/kWh)

Bill Sub-Group	Residential	%	Commercial	%	Industrial	%
Generation	4.5	48	4.5	57	4.5	67
Transmission	0.7	7	0.8	10	0.6	9
Systems Loss	0.4	4	0.3	4	0.2	3
DSM	2.5	27	1.1	14	0.6	9
Cross Subsidies	(0.2)	-2	0.1	1	0.1	1
Universal Charges	0.3	3	0.3	3	0.3	4
Gov't Taxes	1.0	10	0.3	8	0.3	4
Fit-All Charges	0.2	2	0.2	3	0.2	3
TOTAL	9.4	100	7.9	100	6.7	100

Source: MERALCO

Meralco's average residential electricity rates in the amount of PhP9.04/kWh was lower by PhP0.99/kWh compared to its year ago level of PhP10.42/kWh brought mainly by lower generation, transmission and universal charges as well as taxes and subsidies. MERALCO's average effective residential rates in September 2019 ranged from PhP9.04/kWh to PhP10.25/kWh of which the highest component was generation costs at PhP4.52/kWh. Meanwhile, MERALCO distribution charges for its different residential customer classes comprised 22-30% of the total effective residential rates equivalent to about PhP1.96/kWh and PhP3.03/kWh, respectively. Systems loss charges on the other hand was 40-centavos/kWh.

Table 9. Summary of MERALCO Residential Unbundled Power Rates, September 2019 (PhP/kWh)

BILL SUBGROUP	0 to 200 kWh	% Share	201 to 300 kWh	% Share	301 to 400 kWh	% Share	Over 400 kWh	% Share
Generation	4.52	50%	4.52	48%	4.52	47%	4.52	44%
Transmission	0.69	8%	0.69	7%	0.69	7%	0.69	7%
System Loss	0.40	4%	0.40	4%	0.40	4%	0.40	4%
Distribution	1.96	22%	2.24	24%	2.52	26%	3.03	30%
Subsidies*	0.08	1%	0.08	1%	0.08	1%	0.08	1%
Universal Charge	0.26	3%	0.26	3%	0.26	3%	0.26	2%
Fit-All Renewable	0.22	2%	0.22	2%	0.22	2%	0.22	2%
Government Taxes	0.92	10%	0.95	10%	0.99	10%	1.05	10%
TOTAL	9.04	100%	9.36	100%	9.67	100%	10.25	100%

* Lifeline Rate Charges (applicable to 101 kWh consumption and up) + Cross Subsidy Charge

** For fixed 200, 300, 400 & 500 kWh consumption respectively

Source: <http://www.meralco.com.ph>

Table 10 provides information on generation costs in reference with MERALCO power supply agreements, WESM procurement and the regulated generation costs of PSALM. Meralcos's blended generation costs showed a declining trend from April 2019 to October 2019 which can be largely attributed to lower WESM prices specifically during the month of September and October. During these months, MERALCO's WESM purchases was around 17% of its total supply, significantly lowering MERALCO's blended generation charges.

Table 10. MERALCO/PSALM Generation Costs

Particular	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
MERALCO BLENDED GENERATION COST	5.63	5.54	5.41	5.42	4.95	4.51	4.53
QPPL	6.32	5.22	5.32	5.30	5.44	6.66	7.55
FGPC - STA.RITA	5.64	4.99	5.00	4.63	4.85	5.22	4.90
FGP - SAN LORENZO	5.39	4.75	4.85	4.74	4.56	4.88	4.69
MPPCL	4.91	4.82	4.41	4.39	4.97	5.09	4.96
TLI	5.55	32.45		4.83	5.16	5.40	5.56
SMEC	5.98	5.16		5.04	5.82	5.88	6.63
SPPC (baseload)	5.35	4.78	4.87	4.85	5.33	5.46	5.68
Panay Energy Dev. Corp (PEDC)	6.31	4.57	4.37	4.73	4.74		
TMO			11.32	9.65	17.59		
First Natural Gas - San Gabriel (FNG)	4.48	4.38	4.26	4.18	4.25	5.15	5.55
Philippine Power & Development Co. (PPDC)	5.01	5.01		5.01	4.92		
San Buenaventura Power Ltd. Co. (SBPL)			3.32	2.79	1.81	1.79	1.74
WESM	6.94	10.47	10.16	12.04	5.83	2.18	1.66
Millenium Energy Inc. (MEI)			22.04	18.63	45.95		
Others						7.30	8.36
Export Energy from Net Metering Customers	5.60	5.63	5.55	5.41	5.42	4.88	4.50
WESM ESSP	8.18	7.15	8.38	4.99	3.00	2.18	4.74
NPC/PSALM Generation Cost - LUZON	4.39	4.39	4.39	4.39	4.39	4.39	4.39
NPC/PSALM Generation Cost - VISAYAS	3.74	3.74	3.74	3.74	3.74	3.74	3.74
NPC/PSALM Generation Cost - MINDANAO	2.85	2.85	2.85	2.85	2.85	2.85	2.85

Sources: MERALCO and PSALM Websites; values were rounded off.

MERALCO's bulk purchase come from First Gas Power Corp. (FGPC) - Sta. Rita, South Premier Power Corporation (SPPC), and First Gas Power Corp. (FGP) – San Lorenzo, which are all natural gas powered plants. Further, MERALCO also sources a considerable amount of supply from WESM.

As also provided in Table 10, MERALCO's average bulk power purchase for the month of September 2019 came from First Gas Power Corp. (FGPC) - Sta. Rita at 20.80%, South Premier Power Corporation (SPPC) at 9.10%, and First Gas Power Corp. (FGP) – San Lorenzo at 11.00% which are all natural gas powered plants. About 16.90% of MERALCO's power supply requirement is bought from the WESM.

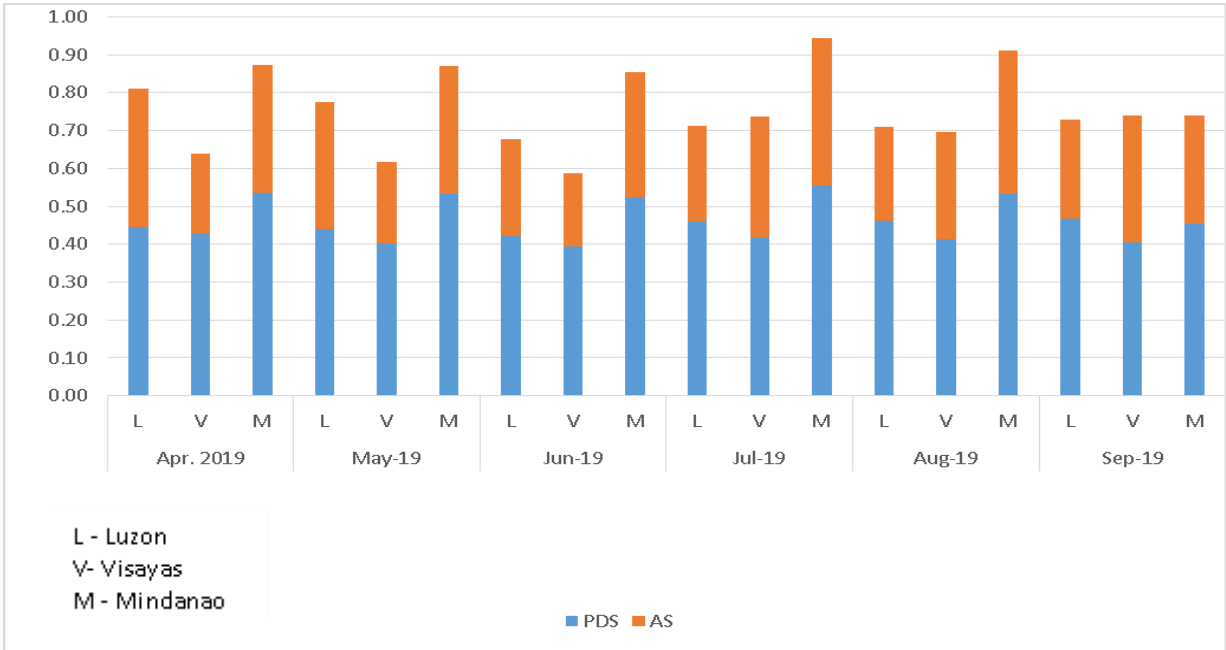
MERALCO has an existing bilateral contract with Quezon Power Phils Ltd. Co.'s (QPPL) Coal-Fired Power Plant for a contracted capacity of 460 MW for a period of 25 years fom 30

May 2000 until 30 May 2025. Though no Application/Order/Decision was posted at the ERC website, Guaranteed MEOT as declared in its PSA is 3,288,341,000 kWh which is to be delivered until 25 Dec. 2023. Another contract is between Sta Rita NatGas Power Plant of First Gas Power Corporation (FGPC) for a contracted capacity of 1,000 MW which was granted with Final Authority. The bilateral contract with San Lorenzo NatGas Power Plant owned by FGP Corp. (FGP) has a contracted capacity of 500 MW. It is valid for 25 years by the virtue of ERC Case No. 2004-074 RC where it was granted with Final authority. San Miguel Energy Corp.'s (SMEC) Sual Coal fired Power Plant has a contract duration of 7 years or until 2019 for a contracted capacity of 500 MW. Final authority was vested in ERC Case No. 2012-087 RC. Further, Panay Energy Development Corporation's (PEDC) Coal-fired Power Plant has a cooperation period of 20 years from 26 August 2016 until 2036 for a contracted capacity starting from 28 to 70 MW.

Meanwhile, transmission charges, on the average, comprise around 7% to 9% of a DU's average electricity rates. Transmission charges has two major components, namely, power delivery charges (PDS) and Ancillary Service (AS) charges. The PDS share around --- percent on the average of the total transmission costs.

For the period April 2019 to September 2019, Mindanao Grid recorded the highest transmission charges at Php0.94/kWh of which 55 centavos was paid for the power delivery service while 39 centavos/kWh went to ancillary services. The Visayas grid has the lowest average transmission cost in June 2019 at 59 centavos of which power delivery service was around 39 centavos/kWh while ancillary services cost 19 centavos/kWh. The highest transmission cost for the report period was noted in Mindanao Grid at about Php0.94/kWh in July 2019.

Figure 6 – NGCP Average Effective Transmission Charges



For Luzon, Total AS cost increased in February 2019 by Php84.12Mn which is around 6.20% of the previous month's AS cost due to the increase in the scheduled AS capacity of thermal plants.

For Visayas, AS cost decreased in February 2019 by Php22.59Mn or 8.97% as compared to the previous month's AS cost due to the decrease in the dispatched AS capacity. The AS cost in Mindanao decreased in February 2019 by Php11.43Mn which is about 4.05% of the previous month's AS cost due to the decrease in the scheduled AS capacity of hydro plants.

B. Administration of Universal Charge (UC)

This section provides development on the implementation of UC pursuant to Section 34 of the EPIRA. Highlights include status of collection and disbursements, updates on PSALM's application for the recovery of stranded contract costs and stranded debts, and the implementation of UC collection from self-generating facilities.

As of 30 September 2019, the total collections of Universal Charge amounted to PhP182.6 billion with interest earnings from deposits and placements of UC funds amounting to PhP0.25 Billion. On the other hand, UC fund disbursement amounted to PhP181.4 Billion. Accounting for the inflows and outflows of the UC fund leaves it with a balance of about PhP1.5 billion. Meanwhile, for the period May 2019 to September 2019, PSALM received PhP7.9 Billion in UC remittances broken down with details reflected in Table 11.

Table 11. UC Collections as of 30 September 2019 (in Billion PHP)

Particulars	Remittances	Interests	Disbursements	Balance
Special Trust Fund – Missionary Electrification (ME) NPC-SPUG	96.19	0.05	96.22	0.01
Special Trust Fund – ME Renewable Energy Developer Cash Incentive (REDCI)	0.70	0.01	0.29	0.42
Special Trust Fund – Environmental Charge (EC)	2.39	0.13	1.49	1.02
Special Trust Fund – Stranded Contract Cost (SCC)	78.51	0.06	78.57	0.00
Stranded Debts	4.85	0.00	4.85	0.00
TOTAL	182.63	0.25	181.43	1.46

Source: PSALM

Table 12. UC Remittances to PSALM for the period May 2019-September 2019 (In Billion PhP)

Month	UC-ME (NPC-SPUG)	UC-ME (REDCI)	EC	SCC	SD	Total/Month
May 2019	1.02	0.01	0.02	0.02	0.20	1.27
June 2019	1.19	0.01	0.02	0.01	0.32	1.54
July 2019	1.14	0.01	0.02	0.02	0.31	1.50
August 2019	1.25	0.01	0.02	0.11	0.34	1.74
September 2019	1.14	0.01	0.02	0.36	0.32	1.84
Total	5.74	0.05	0.10	0.52	1.49	7.89

Source: PSALM

Table 13. UC Disbursements of PSALM for the Period May 2019 to September 2019 (in PhP Billion)

Month	ME (NPC-SPUG)	ME (REDCI) ^{1/}	EC ^{2/}	SCC	SD	Total/Month
May 2019	1.01	-	-	-	0.20	1.21
June 2019	1.21	0.00	-	-	0.32	1.53
July 2019	1.12	0.00	-	-	0.31	1.44
August 2019	1.25	-	-	-	0.34	1.59
September 2019	1.14	0.00	-	3.29	0.32	4.75
Total		0.00	-	3.29	1.49	10.52

^{1/} No REDCI claim with complete documentary requirements was received during the month

^{2/} Awaiting ERC Order/Decision on the disbursement of UC-EC.

Source: PSALM

For the period May 2019 to June 2019, PSALM disbursed PhP2.7 billion to NPC-SPUG to fund the missionary electrification functions, chargeable against the UC-ME fund. The above UC disbursement is pursuant to the ERC Decisions/Orders.

ERC Case No.	Date Approved	Particulars
2012-085 RC	12 August 2013	ERC Decision on CY 2011 True-up Adjustments (PhP4.651 billion)
2012-046 RC	10 October 2013	ERC Decision on CY 2010 True-up Adjustments (PhP2.566 billion)
2014-135 RC	03 November 2013 & 17 August 2015	ERC Order on CY 2015 UC-ME Subsidy
2012-085 RC	20 April 2015	ERC Order on CY 2014 UC-ME Subsidy (PhP2.763 billion)

In accordance with the ERC decision dated 28 January 2013 under Case No. 2011-091 RC, the amount of PhP0.319 billion was transferred from the UC-SD to the UC-SD Special Fund Account for the period June 2019.

As of September 2019, the total UC being charged to customers per kilowatt hour amounts to PhP0.2557 as approved by the ERC.

Type of UC	PhP/kWh
UC-ME <ul style="list-style-type: none"> • UC-ME Subsidy • Cash Incentive for RE Developers • True-up Adjustment (2011) • True-up Adjustment (2010) 	0.1561
UC-EC	0.0025
UC-SCC	0.0543 ^{1/}
UC-SD	0.0428 ^{2/}
Total	0.2557
<i>Note:</i> ^{1/} Per ERC Case No. 2016-139RC, newly-approved rate by ERC on the implementation of UC SCC is in the amount of PhP0.0543 to be collected by Collecting Entities from consumers. ^{2/} Per ERC Case No. 2013-195RC on the effectivity of the implementation of the new UC SD rate is in the amount of PhP0.0428/kWh to be collected by Collecting Entities from consumers.	

C. Lifeline Rate Subsidy Program

For the period January to June 2019, the total amount of subsidy provided by non-lifeline consumers was PhP399 million which extended an average of 2.80PhP/kWh amount of subsidy to lifeline customers, the amount of subsidy paid for by the non-lifeline customers of all DUs is at PhP0.68/kWh. The cost of lifeline subsidy is about 2.30 percent of the total electricity consumption of all types of electricity consumers with an average subsidy per customer of P36.08 per month. In MERALCO franchise area, the average lifeline rates subsidy paid by the non-lifeline customers was P0.076/kWh providing at least P2.88/kWh subsidy to lifeline customers or to an average of P66.30 per month per lifeline customer.

Table 14. Discount and Subsidy for Lifeline Rates

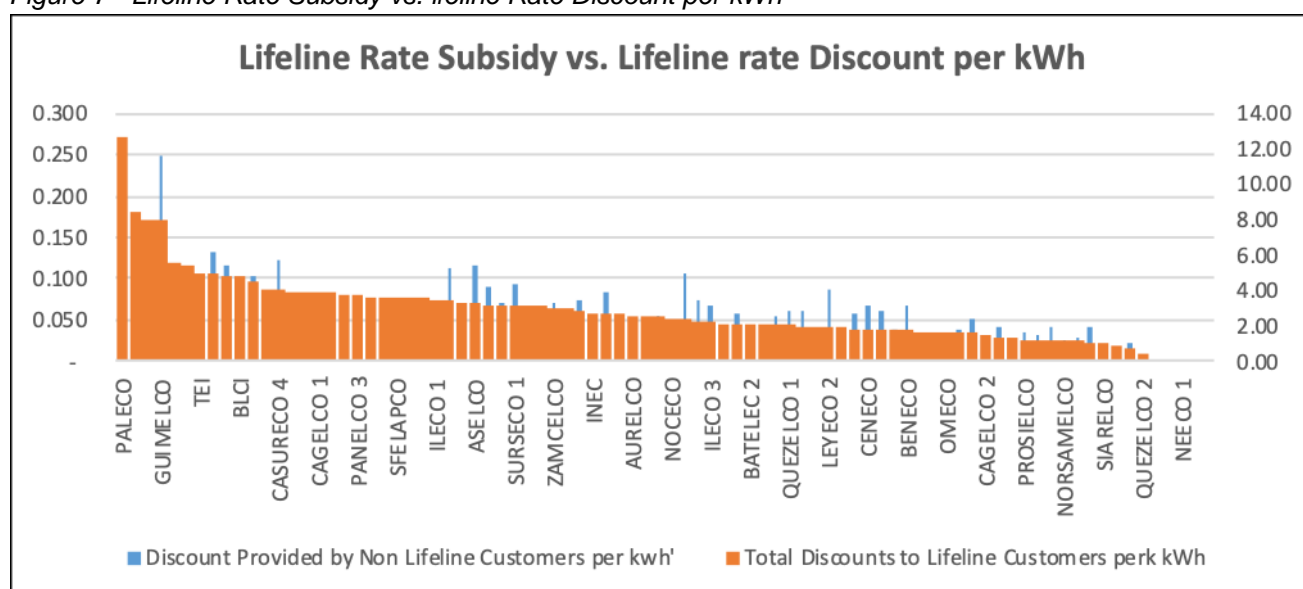
Particulars	MERALCO	Other PDUs	ON-GRID ECs	OFF-GRID ECs	Total
Average Monthly Amount of Subsidy Provided by Non-Lifeline Customers (in PhP)	297,240,742	27,271,890	66,829,161	8,316,556	399,658,349
Average Monthly Consumption of Lifeline Customers (kWh)	103,204,983	12,311,834	25,632,894	1,441,611	142,591,322
Average Monthly Consumption of Non-Lifeline Customers (kWh)	3,936,963,476	563,679,599	1,307,344,285	79,056,979	5,887,044,339
Average Number of Non-Lifeline Customer per Month	4,483,605	858,904	5,347,065	387,031	11,076,605
Average Monthly Subsidy to Lifeline Customers (PhP/Mo.)	66.30	31.7scree5	12.50	21.49	36.08

Particulars	MERALCO	Other PDUs	ON-GRID ECs	OFF-GRID ECs	Total
Average Amount of Subsidy Provided to Lifeline Customers (PhP/kWh)	2.88	2.22	2.61	5.77	2.80
Average Amount of Subsidy Paid by Non-Lifeline Customers (PhP/kWh)	0.076	0.048	0.051	0.105	0.068

Source: ERC, MERALCO-URR

Per records, Palawan Electric Cooperative (PALECO) provided the biggest discount to lifeline consumers at P12.63/kWh while among the private distribution utilities, Subic Enerzone (SECZ) provided the biggest lifeline discount at P8.49/kWh. Based on the number of consumers, SECZ has only 74 lifeline customers with equivalent average consumption of 3,887 kWhs while PALECO has average monthly customers of 28,868 consuming about 493,709 on average per month. The average consumption of PALECO lifeline customers is 17 kWhs per month while 52 kWh at SECZ.

Figure 7 - Lifeline Rate Subsidy vs. Lifeline Rate Discount per kWh



D. Mandatory Rate Reduction (MRR)

Pursuant to Section 72 of the EPIRA, NPC is continuously granting to residential customers the mandatory discount of 30-centavos/kWh. For this report period, mandated rate reduction for Luzon and Visayas including SPUG areas is considered in the report. However, the report will be based only in the available data as some areas were not able to submit particularly for Palawan area for months of October 2018, June and July 2019.

Table 15. NPC-Incurred Amount on Grant of Mandatory Rate Reduction

Year	LUZON	MINDANAO	TOTAL
2001 – June 2018	3,340,904,944.34	5,556,611,305.53	31,373,316,093.32
July-18	1,349,096.87	2,323,936.79	3,673,033.66
August-18	1,294,312.91	2,028,742.02	3,323,054.93
September-18	1,327,499.24	2,122,050.87	3,449,550.11
October-18	37,014.76	2,115,004.95	2,152,019.71
November-18	2,846,817.70	2,170,326.44	5,017,144.14
December-18	2,661,347.06	2,162,058.11	4,823,405.17
January-19	1,796,337.15	2,250,402.96	4,046,740.11
February-19	2,485,554.96	2,217,345.56	4,702,900.52

Year	LUZON	MINDANAO	TOTAL
March-19	2,367,213.36	2,231,253.02	4,598,466.38
April-19	2,510,071.49	2,476,926.76	4,986,998.25
May-19	2,538,031.56	2,382,612.55	4,920,644.11
June-19	2,129,649.15	951,881.13	3,081,530.28
July-19	1,935,325.81	2,454,950.33	4,390,276.14
TOTAL	3,343,526,756.49	5,602,215,095.44	31,472,616,815.75

Source: NPC

For the period starting 2001 to July 2019, a total of PhP31,472,616,815.75 amount of MRR has already been granted to consumers in Luzon and Mindanao areas. Considering that most of the government's remaining power plants are located in Mindanao, bigger portion equal to 52% of the total MRR is provided to consumers therein while the remaining portion is in Luzon. Visayas consumers were not able to benefit from the MRR since most of NPC power plants in the region have been privatized. From 2007 when the first major NPC power Plant was privatized, the total amount of MRR has a negative growth rate of 13% per year.. The biggest amount of MRR recorded per year was in 2009 with PhP3.7 Billion while records show that the smallest amount of MRR was in 2018 at PhP58 Million. The amount is expected to further go smaller due to continuing privatization and retirement of NPC power plants.

V. COMPETITION

This section provides an update on key areas of competition covering the period May to October 2019 on the operation of the Wholesale Electricity Spot Market (WESM), commercial operations of Retail Competition and Open Access (RCOA), implementation of the Reserve Market, and monitoring of compliance to Section 45 of the EPIRA.

A. WESM Operational Highlights

On April 2019, two (2) generation company participants, namely Therma Mobile, Inc. and Millennium Energy, Inc. ceased their trading operations; but on the following month of May 2019, two (2) new generation companies namely Solar Philippines Tarlac Corporation and Therma Power Visayas, Inc. registered as new traders in WESM.

For the month of August 2019, another two (2) new participants registered in the WESM namely North Negros Biopower, Inc. in Visayas and Majayjay Hydropower Company, Inc. in Luzon while one (1) participant ceased membership which is the Central Azucarera de Tarlac.

In September 2019, there are three (3) newly registered renewable generation companies, the Cagayan Biomass Energy Corporation in Luzon and the South Negros Biopower, Inc. and Grass Gold Renewable Energy Corporation in Visayas.

Lastly, in October 2019, more renewable generation companies registered in the market. The Cleangreen Energy Corporation and VS Gripal Power Corporation in Luzon and the Central Azucarera de Bais, Inc. in Visayas.

The breakdown of the Generation Companies and Customer Trading Participants is shown in the table below

Table 16. Registration Update as of 25 October 2019 (Luzon and Visayas)

CATEGORY	REGISTERED						
	TOTAL	DIRECT			INDIRECT		
		LUZ	VIS	LUZ/VIS	LUZ	VIS	LUZ/VIS
Generation Companies	126	82	40	3	1	0	0
Customers							
Private distribution utilities & Local government utilities	17	8	4	0	5	0	0
Electric cooperatives	71	29	28	0	14	0	0
Directly Connected Customers	56	7	6	1	33	7	2
Wholesale aggregators	4	0	0	4	0	0	0
Total Customer Trading Participants	148	44	38	5	52	7	2
TOTAL PARTICIPANTS	274	126	78	8	53	7	2

Source: PEMC

Supply and Demand and Market Price Outcome

During the report period, May to October 2019, average effective supply and supply margin in the market is at 13,333MW and 1,718MW respectively. Low supply levels were observed in the May and June 2019 billing months which is due to the hot temperatures that continued to prevail during the summer months. Driven by the higher rate of increase in demand, supply margin tightened up to an average of 955MW in June 2019.

Thereafter, as cooler temperatures occurred during the rainy season and lower level of capacity were on outage, the average supply started to increase in July 2019 at 13,167MW and reached up to 13,720MW on October 2019. This is an increase of 5.3% compared to the May 2019 average at 1,141MW.

Meanwhile, the average market price for October 2019 billing month is at PhP4,209/MWh and the average market price during the report period is at PhP4,739/MWh. The highest price was recorded in June 2019 at PhP7,770/MWh following the tight supply margin in the grid, while the lowest price was recorded at PhP2,139/MWh in September 2019. This is the lowest average price in the electricity market for year 2019.

The details of the demand and supply situation and the Average Market Prices are shown in the table below.

Table 17. Demand and Supply Situation for May 2019 to October 2019

Month	Demand + Reserve (MW)	Effective Supply (MW)	Supply Margin (MW)	Average Market Price (Php/MWh)
May 2019	11,890	13,031	1,141	6,647
June 2019	12,030	12,998	955	7,770
July 2019	11,572	13,167	1,596	4,657
August 2019	11,205	13,187	1,982	3,004
September 2019	11,154	13,894	2,735	2,139
October 2019	11,819	13,720	1,901	4,219
Average	11,612	13,333	1,718	4,739

Source: PEMC

Market Transactions

Customer Spot market transactions (spot market volume) in Luzon and Visayas for the report period were at an average of 737.73 GWH. Eighty-four percent (84%) of these transactions is for Luzon while sixteen percent (16%) is for the Visayas. It can be noted that the lowest level of transaction was recorded in the month of July 2019 at 579.99 GWH while the highest occurred in October 2019 with 905.82 GWH. Lastly, from May to October 2019, there is thirty-two percent (32%) increase in spot market volume in the Luzon-Visayas grids.

Meanwhile the customer spot market transactions for the month of October 2019 translates to only 13% of the total energy consumed in Luzon and Visayas. The remaining 87% of the total volume was transacted and settled outside the market. Luzon spot market transactions were recorded at 731.422 GWH while for Visayas spot transactions were at 174.402 GWH. Luzon generator payments amounted to PhP3,645.94 Million while Visayas generator payments were recorded at PhP1,280.88. There is a decrease of twenty-seven percent (27%) from PhP6,705.08 Million in May to PhP4,926.82 Million in October in the Luzon and Visayas generator payments.

Summary of Market Transactions are shown in the following table.

Table 18. Summary of Market Transactions for May 2019 to October 2019

Month	Spot Market Transactions for Luzon & Visayas (GWH)	Spot Market Transactions for Luzon (GWH)	Spot Market Transactions for Visayas (GWH)	Luzon Generator Payments (Million Php)	Visayas Generator Payments (Million Php)
May 2019	688.40	530.24	158.16	4393.35	2311.73
June 2019	642.79	497.37	145.42	5143.44	2214.76
July 2019	579.99	557.86	22.12	2832.87	1002.73
August 2019	705.39	664.31	41.08	1784.87	773.07
September 2019	904.00	744.50	159.50	1583.32	642.80
October 2019	905.82	731.42	174.40	3645.94	1280.88
Average	737.73	620.95	116.78	3230.63	1371.00

Source: PEMC

Capacity Profile

The WESM registered capacity for the month of October 2019 is recorded at 19,967.3 MW, an increase of 65.3 MW from 19,902 MW in the month of May 2019. Of the said total capacity, only about 66 percent or an average of 13,139 MW were offered in the market.

During the report period, the following are the sources of additional capacities in the market:

- 25-MW North Negros Biopower, Inc. biomass plant
- 15-MW Cagayan Biomass Energy Corporation biomass plant
- 2.2 MW Majayjay Hydropower Company, Inc. hydro plant
- 19.2 MW hydro plant of HEDCOR
- 7.4-MW oil-based facility (units 1 to 6) of Therma Power Visayas, Inc.

Outage Capacity

During the report period, about the average of 12% of the total registered capacity equivalent to 2,422 MW was on outage. Highest level of outage was experienced in June 2019 attributable to the forced outage of Calaca 1 and Mariveles 2 and maintenance outage of Pagbilao 2 due to due to the 6.1 magnitude earthquake that struck in Luzon.

For the month of October 2019, about 12% of the total registered capacity or an average of 2,400 MW was on outage. Majority of these were classified as planned and forced, with almost the same level, averaging at 968 MW and 996 MW or about 39% and 40% of the total outage capacity, respectively. Maintenance outages, averaging at 479 MW, accounted for 19% of the total outage capacity while the remaining 2% or an average of 55 MW was on the account of plants on deactivated shutdown.

Based on type of resource, 41% or an average of 973 MW was attributable to coal plants namely: the maintenance outage of Mariveles CFTPP unit 1 and forced outages of Masinloc CFTPP unit 3 and SLPGC CFTPP unit 2. Also, it was noted that outage of natural gas plants rose by 119 percent this billing month due to the conduct of Malampaya maintenance shutdown from 12 to 15 October which affected 1,200-MW Ilijan NGPP Blocks A and B, 255.7-MW Sta. Rita NGPP unit 2, 265.5-MW Sta. Rita NGPP unit 3, and 420-MW San Gabriel NGPP.

Table 19. Summary of Capacity Profile for May 2019 to October 2019

Month	Registered Capacity (MW)	Offered Capacity (MW / %)	Outage Capacity (MW / %)	Capacity Not Offered (MW / %)	Preferential and Non-Scheduled Capacity (MW / %)	Must Run Unit Capacity (MW / %)
May 2019	19,902	12,438 / 62 %	2,099 / 11%	3,693 / 19%	1,573 / 8%	300 / 2%
June 2019	19,941	12,564 / 63 %	2,941 / 15%	2,775 / 14%	1,632 / 8%	350 / 0%
July 2019	19,964	12,427 / 62%	2,592 / 13%	2,960 / 15%	1,650 / 8%	350 / 2%
August 2019	19,967	12,654/ 63%	2,652/ 13%	2,648/ 13%	1,662/ 8%	350/ 2%
September 2019	19,967	13,628/ 68%	1,838/ 9%	2,480/ 12%	1,665/ 8%	350/ 2%
October 2019	19,992.3	13,139/ 66%	2,408/ 12%	2,393/ 12%	1,678/ 8%	350/ 2%
Average	19,956	12,808.33 / 64%	2,422 / 12%	2,825 / 14%	1,643 / 8%	342 / 2%

Source: PEMC

B. Updates on WESM Governance Activities

The DOE monitors the governance of the WESM through its representation from the different technical committees which undertake regular meetings relative to WESM rules changes, operational audit, conduct of technical evaluation and studies, investigation of breach of the WESM Rules, and management of dispute resolution process. For the covered report period, the following are the activities accomplished by each WESM Governance Committees:

1. Market Surveillance Committee (MSC)

During the covered period, the MSC accomplished the following:

a. Assessment of Market Outcomes

During the report period, the MSC assessed the results of the WESM operations for the period 26 February to 25 August 2019, as provided under the Monthly Market Assessment Highlights of the MAG (MMAR-2019-03 to 08). The MMARs were all submitted to the PEM Board, the DOE and the ERC and were also published in the PEMC website.

Further, following their review of the MAG's Quarterly Market Assessment Reports (QMAR) covering the periods 26 December 2018 to 25 March 2019 (QMAR-2019-01), and 26 March to 25 June 2019 (QMAR-2019-02), the Reports were then submitted for the information of the PEM Board and subsequently published in the PEMC website.

In addition, the MSC presented its Special Market Assessment Report covering the April 2019 billing month during the PEM Board Meeting on 29 May 2019, where they discussed their analysis on the high prices that were observed from 10 to 15 April 2019, due to the overlapping forced outages of various plants in the Luzon region.

b. Review of Compliance Monitoring and Assessment

For the months of May to October 2019, the MSC issued 50 requests for investigations (RFI) for possible non-compliance with the RTD schedule, the MOR and the NOM, which covers the billing months of March to August 2019.

c. Assessment of the Retail Market

The Retail Market Assessment Report (RMAR) for the Q1 2019 was submitted by the MSC to the PEM Board on 03 July 2019, and to the DOE and the ERC on 04 July 2019. The Report was also published in the PEMC website on 05 July 2019.

On June 2019, the MSC assessed the performance of the retail market for the first quarter of billing year 2019, as provided under the Quarterly RMAR covering the period 26 December 2018 to 25 March 2019 (MAG-RMAR-2019-01).

The assessment of the performance of the retail market for billing year 2018 was submitted to the PEM Board on 29 April 2019 through the Annual Retail Market Assessment Report covering the period 26 December 2017 to 25 December 2018 (MAG-ARMAR-2018).

The RMAR discusses the results of monitoring indices and provides indications on how the retail market performed during the period in review and how it fared with the previous quarter's performance.

d. Assessment of Over-Riding Constraints

During the report period, the MSC analyzed the over-riding constraints imposed on generators for the six (6) billing months of March to August 2019.

For October 2019, the MSC assessed the over-riding constraints imposed on generator-trading participants for the period 26 July to 25 August 2019. For this month, a total of 6,058 over-riding events were imposed on 25 Luzon generators and 8 Visayas generators.

For July 2019 billing month, a total of 6,968 over-riding events were imposed on 38 Luzon generators and 14 Visayas generators by the NGCP-SO.

In June 2019 billing month, a total of 4,596 over-riding events involving 23 Luzon generators and 12 Visayas generators were recorded. There were 81 events categorized under security limit events, and majority or 4,515 events that remained were categorized under non-security limit events.

For 26 April to 25 May 2019, a total of 4,858 over-riding events were imposed on 32 Luzon generators and 8 Visayas generators by the NGCP-SO. This followed the decrease in the number of security limit events by 73.8%, mostly related to the designation of Malaya TPP unit 1 as a must-run-unit.

For the preceding billing month, 26 March to 25 April 2019, a total of 4,906 over-riding events were imposed on 36 Luzon generators and 14 Visayas generators by the NGCP-SO. This followed the decrease in the number of non-security limit events in April, which were mostly related to commercial testing, from 5,017 events in March to 4,452 events.

For the billing month of 26 February to 25 March 2019, a total of 5,018 over-riding events were imposed on 25 Luzon generators and 9 Visayas generators by the NGCP-SO. The increase was due to the higher number of non-security limit events in March, which were mostly related to commercial testing, from 3,934 events in April to 5,017 events.

In addition, having noted the continued prolonged testing and commissioning of identified generator-TPs in the WESM, particularly those that were on T&C from as early as 2015, the MSC presented to the PEM Board during its October 31, 2019 Meeting its recommendation to consider possible suspension and deregistration from the WESM of generator-TPs on prolonged T&C, as provided for in the WESM Registration Manual.

The MSC likewise agreed to continue sending letters of inquiries to said generator-TPs, to clarify the reason for their prolonged conduct of T&C.

- e. Review and Approval of the Proposed Amendments to the Catalogue of Market Monitoring Data and Indices

The MSC presented to the PEM Board for comments during its October 31, 2019 Meeting its proposal for the amendments to the Catalogue of Market Monitoring Data and Indices (CMMDI).

The amendments incorporated the updates aligned with the implementation of the 5-minute dispatch in the enhanced market design, and also incorporate the new indices, i.e. spot price index and offer pattern index, that were discussed by the MSC in previous meetings.

MSC's review of the CMMDI Issue 1.0 started in May 2019.

- f. Deliberation on the Proposed WESM Industry Code of Ethics

On July 2019, the MSC reviewed the consolidated comments that they received upon publication on the proposed WESM Industry Code of Ethics (WICOE). They agreed to conduct further review on the Code of Ethics in other jurisdictions particularly on the possible penalties/ sanctions for non-compliance of the Code.

The thorough discussions and public consultations to the proposed WICOE were conducted by the MSC on May to June 2019.

The MSC agreed that the WICOE should be couched in general terms, since existing rules already apply to specific acts and omissions. The MSC likewise agreed that breach of the WICOE provisions should correspond to specific penalties.

- g. Deliberation on the MSC Response to the DOE Comments re: Proposed Penalty Manual

On July 12, 2019, the result of the MSC's review of the DOE's comments to the Proposed Penalty Manual was presented to the DOE.

In particular, the MSC concurred with the general comments of the DOE that appeal cases regarding the abuse of discretion on the part of ECO, shall be filed with the MSC.

- h. Submission of MSC Recommendations on ECO Investigation Reports

The MSC presented to the PEM Board during its September meeting its review and recommendation on 109 consolidated ECO Investigation Reports (IRs), involving the non-compliance with the WESM Rules of some 23 generator-TPs.

On 15 August 2019, the MSC submitted to the PEM Board its Review Report on the consolidated ECO Investigation Reports (IRs) involving nine (9) generator-trading participants, all of which were received by the MSC during the second quarter of 2019.

The MSC reviewed the ECO IRs with respect to: (a) the ECO's compliance with the procedures set forth in the MSC-EM for the conduct of investigation, and (b) the validity and completeness of the data and documents upon which factual findings are based, pursuant to Section 10.7 of the MSC-EM Manual.

i. Review of the Initial Mindanao Market Assessment Report

The MSC discussed the result of the MAG's initial market assessment report on Mindanao, and approved the same for submission to the PEM Board.

Likewise, the MSC participated in the PEMC Consultation on Embedded Generation in Mindanao on 14 August 2019. The MSC Chairman presented the result of the MSC's assessment of the Mindanao Market in terms of demand and supply, capacity mix, and market concentration.

j. Review of Interesting Pricing Events

In October 2019, the MSC discussed the sole interesting pricing event noted last August 2019 billing month and observed that it was driven by the forced outages. High price were noted last 12 September 2019.

For the month of September 2019, the MSC deliberated upon 11 interesting pricing events for the period 26 June to 25 July 2019, and observed that these were mainly driven by the forced outages of major generating plants. High prices were noted last 3, 8, 11-13, 20-21 July 2019.

In August 2019, the MSC deliberated upon 40 interesting pricing events, and observed that these were mainly driven by forced outages of major generating plants. High prices were noted last 31 May, 1-3, 5-8, 11, 14, 16-20, 22 June 2019.

The MSC noted that the MI events that were declared by the System Operator (SO) from June 7-8, were on account of manual load dropping (MLD) due to reserve insufficiency. The MSC then agreed to invite the SO for a discussion on the SO-initiated MI events not only as reported in the June 2019 IPER, but for all the SO-initiated MI events during the year. The MSC also agreed to discuss with the SO protocol on its MLD implementation.

For the month of July 2019, the MSC deliberated upon 12 interesting pricing events, and observed that these were mainly driven by forced outages of major generating plants. High prices were noted last 29 April, 03, 14 and 15 May 2019.

In addition, fifty-nine (59) interesting pricing events for the period 26 March to 25 April 2019 were deliberated in May to June 2019 by the MSC. They observed that these were mainly driven by forced outages of major generating plants. In particular, high outage capacity due to the 6.1 magnitude earthquake in Luzon influenced the interesting pricing events from 22 to 24 April.

k. Review of the Market Intervention Events

The MSC met with representatives of the Luzon-System Operations (LSO), which presented an overview of its internal procedure on Manual Load Dropping (MLD). The meeting was held at the request of the MSC, following its observation that majority of the SO-initiated MI events in 2019 were on account of MLD. The MSC requested the NGCP-LSO to provide detailed information on the SO-initiated MIs in 2019, to assist the MSC in its review of MI events.

Likewise, the MSC met with IEMOP representatives on 09 May 2019, to discuss the Market Operator (MO)-initiated market intervention (MI) events on 27 March 2019 at 2100H, on 15 April 2019 at 1300H and on 19 April 2019 at 0400H.

The MSC took note of the report presented and agreed to prepare its Review Report on the subject events for submission to the PEM Board, the DOE and the ERC.

I. Deliberation on the Study on Offer Pattern

The MSC continued its discussion on the Study on Offer Pattern, with the objective of establishing an index on offers that will determine the offer behavior of generator-trading participants, as well as the change in their offers.

After its deliberation on the matter, the MSC approved the proposed methodology on the Offer Pattern Index, for inclusion in the Catalogue of Market Monitoring Data and Indices.

m. Training on Ancillary Services with the NGCP-SO

The MSC invited the NGCP-SO to conduct a Training on Ancillary Services (A/S) on 13 June 2019 with MAG and ECO, the purpose of which is to better understand the A/S activities being implemented by the NGCP-SO, since these are included in the MAG's market monitoring, as well as the ECO's compliance monitoring activities.

n. Meeting with NGCP-SO re: Data Validation Issues on ECO Investigation Cases

The MSC discussed with NGCP-SO representatives the data validation concerns raised by the ECO relative to investigation cases.

Representatives from the NGCP-SO and the ECO mutually agreed on ways forward to address the specific issues that were raised during the meeting.

o. Meeting with NGCP-SO regarding the Samboan-Amlan Line Congestion

The MSC met representatives of the NGCP Visayas System Operations (VSO), to seek clarification on the frequent congestion at the Samboan-Amlan Transmission Line.

The NGCP-SO discussed the ongoing development on the Cebu-Negros-Panay 230kV Backbone project that will address the congestion, and confirmed that the target completion for the same is on December 2020.

p. Meeting with the Phinma Group regarding its Offer for Settlement

The MSC met with representatives of the Phinma Group for a discussion on its Offer for Settlement relative to its possible non-compliances with the WESM Rules.

The Phinma Group was requested to revisit its Offer for Settlement and re-submit the same to the MSC.

q. Meeting with Central Azucarera de San Antonio (CASA)

On 09 October 2019, the MSC met with the WESM Compliance Officer of Central Azucarera de San Antonio (CASA), to discuss CASA's non-compliance with the rule on the nomination of loading level and projected output (NOM), for the period January to March, and May 2019.

2. Technical Committee (TC)

During the covered period, the TC accomplished the following:

- a. The TC continued its study and assessment on the issues concerning the embedded generation for Mindanao with a meeting with distribution utilities, NGCP-SO, IEMOP and DOE representatives to the TC held on 04 October 2019 at the PEMC Board Room. The discussion focused on the following issues:

- Market Network Modelling;
- Asset reclassification (ERC Resolution No. 23 Series of 2016); and
- Distribution Network Protocol (MO-SO-DU Interface).

Based on the results of the Meeting with DUs, the TC narrowed down their next steps into 2 items, as follows:

- Initiate a review of the ERC Resolution No. 23 Series of 2016; and
- Develop a Proposed Framework for Distribution Network Protocol (MO-SO-DU Interface) consistent with the DOE's mandate to the NGCP-SO under the DOE Circular No 2019-02-003 "Providing for the Framework Governing the operations of Embedded Generators".

b. Study on the Integration of Variable Renewable Energy (VRE) Resources and other Technologies into the WESM

As part of the TC study on the integration of VRE resources into the WESM, the TC assessed the current operations of the Battery and Energy Storage Systems (BESS) in the Philippines specifically on the BESS policies and implementation, registration in the WESM and pending applications before the DOE, and best practices in other jurisdictions.

Further, the TC reviewed and submitted on 06 August 2019 its comments to IEMOP's proposed amendments to the WESM Rules, WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 5.0 and WESM Manual on Constraint Violation Coefficients (CVC) and Pricing Re-Runs.

On 25 September 2019, the TC presented before the PEM Board their work plan on the Study on the Integration of VRE Resources and other Technologies into the WESM. The work plan aims to guide the TC and PEMC on how to adequately and comprehensively cover the areas for consideration in providing recommendations in furthering the effective integration of VRE and other new technologies into the WESM.

Based on their work plan, the TC identified the following as priority studies for 2020:

- Proposed framework for energy storage system including requirements for VRE – Q2 2020;
- Development of a Proposed Framework for Distribution Network Protocol (MO-SO-DU Interface) – Q3 2020; and
- Reserve Market benefit projection/analysis – Q4 2020.

a. Review of Proposed WESM Industry Code of Ethics

The TC reviewed and submitted its comments to the proposed WESM Industry Code of Ethics to the Market Surveillance Committee (MSC) on 28 June 2019.

b. Review of Proposed Rules Changes and Draft Policy Proposal

The TC reviewed and submitted on 06 August 2019 its comments to IEMOP's proposed amendments to the WESM Rules, WESM Manual on Registration, Suspension and De-Registration Criteria and Procedures Issue 5.0 and WESM Manual on Constraint Violation Coefficients (CVC) and Pricing Re-Runs.

The following proposals from the RCC were approved by the PEM Board on 31 July 2019 for endorsement to the DOE:

- Proposed Amendments to the WESM Manual on Metering Standards and Procedures; and
- Proposed Amendments to the WESM Manual on Procedures for the Monitoring of Forecast Accuracy Standards for Must-Dispatch Generating Units.

Also, on 29 May 2019, the TC submitted comments on NGCP’s Proposed Amendments to the WESM Manual on Metering Standards and Procedures Issue 12.0 and PEMC’s Proposed Amendments to the WESM Manual on Procedures for the Monitoring of Forecast Accuracy Standards for Must Dispatch Generating Units Issue 1.0.

Lastly, on 16 May 2019, the TC submitted comments to DOE’s draft Circular on “Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in The Grid”.

3. Rules Change Committee (RCC)

During the report period, the RCC approved the following proposals and thereby submitted to the PEM Board:

	Proposal	Description
1	Amendments to the WESM Manual on Dispatch Protocol for the Optimal Timing of Market Runs	Seeks to revise the timing of dispatch scheduling activities considering actual system performance from parallel operations and the System Operator’s (SO) requirements for the day-ahead projection (DAP), hour-ahead projection (HAP) and real-time dispatch (RTD) market runs.
2	Amendments to WESM Manuals to Clarify Procedures for the Registration of a New Load Facility	Intends to clarify procedures for the registration of a new load facility of a registered WESM Member, and to add a new provision stating that new facilities shall be energized only after being registered in the WESM.
3	Amendments to the Retails Rules and Various Retail Manuals to Harmonize with ERC Rules Supplementing the Switching and Billing Process and Adopting a Disconnection Policy for Contestable Customers	Aims to align the Retail Rules and the Retail Manuals with the relevant provisions of the Energy Regulatory Commission (ERC) Rules Supplementing the Switching and Billing Process and Adopting a Disconnection Policy for the Contestable Customers under ERC Resolution No. 9, Series of 2018. Specifically, the proposed change is to specify that no Contestable Customer shall be allowed to switch to a new Retail Electricity Supplier (RES) if it has outstanding obligation with its Network Service Provider (in case of initial switch) or its incumbent RES.
4	Amendments to the WESM Rules and WESM Manuals Providing the Framework Governing the Operations of Embedded Generators	Aims to incorporate relevant provisions of DOE DC2019-02-0003 (Providing for the Framework Governing the Operations of Embedded Generators) to the WESM Rules and Manuals.
5	Amendments to the WESM Rules and WESM Manual on Registration to Harmonize with R.A. 11234 (“Energy Virtual One-Stop Shop Act”) and Additional Requirements for De-Registration Cessation	Aims to harmonize provisions on allowed timeframe for market operator to release actions on applications as specified in Section 13 under RA 11234 (EVOSS) for the purpose of streamlining the Permitting Process of Power Generation, Transmission, and Distribution Projects.
6	General Amendments to the WESM Rules and WESM Billing and Settlement Manual for Enhancements to the Determination of the Initial	The proposal aims to improve the accuracy of initial prudential requirements of new trading participants. The proponent, IEMOP, deemed that accurate estimation of prudential requirements would better

	Proposal	Description
	Prudential Requirements	ensure the ability of trading participants to meet their obligations and, in some cases, result in lower WESM participation costs.
7	Amendments to the WESM Constraint Violation Coefficient (CVC) and Pricing Re-run Manual to Include Additional CVCs to Reflect the Dispatch Hierarchy of Self-Scheduled Generation	The revisions to WESM CVC and Pricing Re-runs are proposed to include additional CVCs to reflect the dispatch and curtailment hierarchy for must-dispatch, priority-dispatch, and non-scheduled generating unit classifications - collectively called self-scheduled generating units. Since the three classifications are treated differently in the dispatch and dispatch curtailment process, it is proposed that the classifications be associated with separate CVCs.
8	Amendments to the WESM Rules and WESM Manuals Providing the Framework Governing the Operations of Embedded Generators	Incorporates in the WESM Rules and market manuals the relevant provisions of DC2019-02-0003, which provides for the framework governing the operations of embedded generators.
9	Amendments to the WESM Rules regarding WESM Compliance Officer Accreditation Program	The proposal which aims to provide for the implementation of the WESM Compliance Officer Accreditation Program. The program being proposed shall assist the WESM Members attain a higher level of compliance with their obligations in the WESM.
10	Amendments to the WESM Manual on Metering Standards and Procedures	The proposal was submitted by the NGCP-MSP to the RCC in response to the DOE's directive in December 2018 for the NGCP to submit a proposal that harmonizes the WESM Rules and WESM Metering Manual with the Philippine Grid Code (PGC) and the Philippine Distribution Code (PDC). Significant proposed changes include: <ul style="list-style-type: none"> (i) clarification on the appropriate location of the metering point; (ii) harmonization of the technical requirements for the Metering Facilities in accordance with PGC 2016 Edition, PDC 2017 Edition, and other applicable reference; (iii) provision of a transitory period to allow existing revenue meters with non-compliant mass memory requirement to remain in service until such time that it is due for replacement; and (iv) enhancement of provisions in Data Validation, Estimation and Editing (DVEE)
11	Amendments to the WESM Manual on Procedures for the Monitoring of Forecast Accuracy Standards for Must-Dispatch Generating Units	Initiated by PEMC, the proposal seeks to amend the calculation of the Forecast Percentage Error to (i) align with the 5-minute dispatch interval, and (ii) to provide a more appropriate calculation and exclusions for forecast percentage error (FPE) which consequently affects the mean absolute percentage error (MAPE) and Percentile 95 (Perc95).
12	New Market Manual on Prolonged Market System Failure	Covers the dispatch scheduling and pricing to be applied in cases of prolonged market system failure. Said proposal incorporates revisions from the original proposal submitted by the Technical Working Group composed of representatives from PEMC and IEMOP, to address the concerns of the System Operator on the use of unconstrained solution for dispatch schedule. The revised proposal uses the new Market Management System to produce an hour-ahead projection (HAP) for those intervals experiencing prolonged market system failure.

	Proposal	Description
13	Urgent Amendments to the Billing and Settlements Manual on the Initial Prudential Requirement (PR) Calculation	The RCC approved the erratum on the urgent amendments to the Billing and Settlements Manual recently approved by the PEM Board for the calculation of prudential requirements. Below is the correction approved by the RCC, for endorsement to the PEM Board: Section 7.4.1 (h) The projected final energy dispatch price associated with a bilateral contract quantity from a counterparty for a dispatch interval shall be equal to the final energy dispatch price of the reference node of the contract identified during enrollment of the bilateral contract at the same dispatch interval and most recent same date.
14	Amendments to the WESM Registration Manual to Include Additional Modelling Requirements and Procedures	Includes additional modelling requirements and procedures when registering a new facility in the WESM or registering as an ancillary services provide
15	Amendments to the WESM Registration Manual to Harmonize with the WESM Rules	Aims to align the subject Market Manual with relevant provisions in the WESM Rules, specifically to: a) reflect the WESM Rules basis for registration process timelines (i.e., working days instead of business days); and b) generalize the data security approach for participant access to the market systems
16	Amendments to the WESM Registration Manual to Clarify Basis for Registered Capacities	Clarifies the basis of the Market Operator for the registered capacities of generating units in the WESM
17	Proposed Amendments to the WESM Rules and WESM Registration Manual on MSP Performance Monitoring	Clarifies that the wholesale Metering Service Provider (MSP) performance monitoring will be performed by the WESM Governing Body, PEMC.

4. Dispute Resolution Administrator (DRA)

During the covered period, the DRA supervised the Arbitral Tribunal's resolution of the two (2) ongoing arbitration cases, Case Nos. WESM-Arb-18-01 and WESM-Arb-18-02.

On 15 August 2019, the Arbitral Tribunal rendered the final awards for the said cases in favor of the Respondents. In response to the Awards, Claimants intend to file a formal complaint with the ERC against Respondents to recover the RTD underpayment and claims for the times they were made to run as MRU but were not paid.

In September 2019, the Arbitral Tribunal issued the Final Awards for the two cases. The DRA then submitted the Arbitral Tribunal's summary report on the resolution of the said cases to the PEM Board, DOE, and ERC on 26 September 2019. A public version of the report was also published in the market information website.

In October 2019, the DRA had undertaken the completion of the post-award activities such as the finalization of the total expenses incurred during the arbitration and the endorsement of the remaining balance to the Claimant.

Moreover, the DRA reviewed and updated its internal guidelines on the ad hoc Secretariat support and cost of arbitration in view of the actual experience during the arbitration.

5. PEM Audit Committee (PAC)

During the report period, the PAC has provided oversight on the activities relating to the conduct of Market Readiness Assessment (MRA) for the Implementation of the Enhanced WESM Design and Operations in Luzon and Visayas and WESM in Mindanao and the Pre-Certification Audit of the New Market Management System (NMMS).

The MRA activity is being conducted to assess the readiness of the PEMC, Market Operator (MO), System Operator (SO), Metering Services Providers (MSPs) and WESM participants, identify issues for resolution as well as to provide necessary recommendations to ensure the effective transition to and implementation of the enhanced WESM design and operations in Luzon and Visayas, and WESM in Mindanao.

Shown in the table below is the detailed list of activities undertaken by the PAC.

Table 20. MRA Activities in May to October 2019

Date	Activity
22 October 2019	The results of the market readiness assessment were presented by Sapere and PAC to the DOE.
08 October 2019	PAC submitted to the DOE, the Final MRA Report for Mindanao.
04 September 2019	PAC submitted to the DOE the Final MRA Report for Luzon and Visayas.
30 August 2019	Sapere submitted the Final MRA Report for Luzon and Visayas, as revised to accurately reflect the accuracy rating for real-time dispatch (RTD).
28 August 2019	PAC presented the key findings and recommendations of Sapere on the readiness of Mindanao to the PEM Board, who approved the PAC's request for authority to submit the Final MRA Report for Mindanao to the DOE.
20 August 2019	Sapere submitted the draft MRA Report for Mindanao, which was provided to the PEMC, IEMOP, and NGCP for comments.
19 August 2019.	The draft report was reviewed and accepted by the PAC.
16 August 2019	A revised draft was submitted by Sapere.
31 July 2019	The draft MRA Report for Luzon and Visayas was presented to the PEM Board.
27 July 2019	The draft MRA Report for Luzon and Visayas report was provided to the NGCP and IEMOP for comments.
26 July 2019	Sapere submitted the revised draft MRA Report for Luzon and Visayas.
18 July 2019	3rd Market Readiness Steering Committee
03 July 2019	2nd Market Readiness Steering Committee
26 June 2019	1st Market Readiness Steering Committee
24 June 2019	Meeting on POP Timeline and Steering Committee/TWG Action Plan
20 June 2019	Teleconference Meeting on Sapere Weekly Report (7th Week)
17 June 2019	Meeting with DOE on Readiness Issues and Action Plans
14 June 2019	<ul style="list-style-type: none"> Meeting with IEMOP on Sapere's proposed Project Management Structure and meeting with DOE on 17 June 2019. Teleconference Meeting on Phase 1 and Phase 2 Timelines
13 June 2019	Teleconference Meeting on Sapere Weekly Report (6th Week)
11 June 2019	<ul style="list-style-type: none"> High-level meeting/s with Management of Mindanao Generators 17th WESM Mindanao Readiness Assessment Meeting
10 June 2019	<ul style="list-style-type: none"> Meeting with NGCP-SO Meeting with PEMC on Sapere's proposed Project Management Structure
06 June 2019	Teleconference Meeting on Sapere Weekly Report (5th Week)
29 May 2019	Teleconference Meeting on Sapere's Weekly MRA Update Report (dated 27 May)
23 May 2019	High-level meeting/s with Management of Visayas Generators
22 May 2019	High-level meeting/s with Management of Luzon Generators
16-17, 20 May 2019	Meeting with trading teams of various generators
15 May 2019	<ul style="list-style-type: none"> Meeting with Distribution Utilities/Retail Metering Service Providers Meeting on Sapere's 2nd Weekly MRA Update Report (dated 13 May)
09 May 2019	<ul style="list-style-type: none"> Initial Meeting with NGCP-SO and NGCP-MSP (Mr. David Reeve of Sapere & PEMC/IEMOP)

Date	Activity
	• 16th WESM Mindanao Readiness Assessment Meeting (Mr. Dave Carlson & PEMC/IEMOP)
08 May 2019	Follow-up Meetings with Stakeholders on Parallel Operations Program
07 May 2019	Meeting on Sapere's 1st Weekly MRA update Report (dated 06 May)
03 May 2019	Meeting with DOE and ERC regarding updates on MRA
02 May 2019	Sapere Meeting with PEMC on their market systems readiness

Source: PEMC

PAC also continued its supervision on the NMMS certification audit in which the Revised RTD Load Forecasting Report and draft software certification were provided by IES. Testing for the Financial Transmission Right (FTR) module shall proceed on November 2019.

In accordance with the provision of the PEM Audit Manual Section 10.2.3 which mandated the PAC to undertake the conduct of pre-deployment tests of new software, the PAC recommended to PEMC the conduct of a pre-certification audit of the enhancements and fixes to the NMMS and CRSS, and other tools to be used by the Market Operator in preparation for the enhanced WESM design. On 25 October, the PAC, on its special meeting with Stuart Thorncraft of IES, deliberated the Inception Report for the Audit on NMMS and CRSS enhancements and fixes.

PAC continuously provided oversight on the conduct of the NMMS software certification audit on the remaining modules – Compliance Monitoring Module (CMON) and Load Forecasting.

C. Market Development Updates

Establishment of the Wholesale Electricity Spot Market (WESM) in Mindanao

For its part, the DOE duly conducted preparatory activities for the establishment of WESM in Mindanao. During the report period, four (4) Readiness Assessment Meetings were conducted to evaluate readiness for WESM Mindanao based on updates presented by various energy agencies tasked to undertake preparatory activities.

Likewise, a Consultative Meeting with Lanao del Sur Electric Cooperative (LASURECO) was held on 30 July 2019 and the Basic WESM Training for Zamboanga City Electric Cooperative (ZAMCELCO) was conducted on August 2, 2020.

On the market operations side, IEMOP continued to accept and evaluated registration requirements from WESM Mindanao participants. As of 25 October 2019, 82 out of the expected 87 participants (94.25%) have started their registration for WESM Mindanao.

The table below shows the breakdown of the WESM registration status in Mindanao.

Table 21. WESM Registration Status in Mindanao

Membership Type	Expected	No application submitted	On-going registration	Registered
Grid Connected Generator	15		10	5
Embedded Generator	27		26	1
Electric Cooperative	28	1	27	
Private Distribution Utility	4		4	
Directly Connected Customer	13	4	8	1
Total Participants	87	5	75	7

Source: PEMC

- Following are the five (5) grid-connected Generators registered as WESM Members:
 - a. Power Sector Assets and Liabilities Management (PSALM) Corporation
 - b. GN Power Kauswagan
 - c. Therma South, Inc. (TSI)
 - d. Alterpower Digos Solar, Inc. (APDIGOS)
 - e. Hedcor Tudaya, Inc. (HTI2)

- EUROHYDRO is the only embedded generator now registered in the WESM.

- Listed below are the seven (7) companies that were able to submit their complete requirements. However, there are still corrections necessary for them to be fully registered as WESM Members.
 - a. FDC Misamis Power Corporation
 - b. HEDCOR Bukidnon, Inc.
 - c. LAMSAN Power Corporation
 - d. San Miguel Consolidated Power Corporation
 - e. MPC
 - f. WMPC
 - g. AGECO
 - h. EEIPC

- There are five (5) participants that should register (mandatory) in the WESM but have yet to file their applications. Said participants are as follows:
 - a. PNOG Exploration Corporation
 - b. BUSCO Sugar Milling Company
 - c. MENZI Agricultural Corporation
 - d. Mindanao State University
 - e. Lanao del Sur Electric Cooperative, Inc.

For the facility registration, IEMOP had evaluated a total of 149 facilities in order to be registered in the WESM. The details of these facilities' registration status is shown in the table below.

Table 22. Facility Registration Status, October 2019

Status	Grid-Connected Generators	Embedded Generators	Customers
No Submission of Facility Requirements	1	2	12
Submitted Partial Requirements	5	28	9
Approved TP but with Partial Requirements	8	--	44
Submitted Complete Requirements for Final Assessment	15	1	23
Submitted Complete Requirements & Approved	5	1	--
Total of Expected Facilities	29	32	88

Source: PEMC

With regard to the application for the approval of the price determination methodology (PDM) for the enhanced WESM design, the next evidentiary hearing is scheduled by the ERC on 04-05 December 2019, with the objective of discussing the audit results of the remaining components of the New Market Management System (NMMS), specifically the Compliance Monitoring and Load Forecasting.

D. Retail Competition and Open Access (RCOA)

The Government, despite the challenges restraining the full implementation of RCOA, continuously exerts its effort in strengthening competition in the retail market and empower the contestable customers.

As of October 2019, the total RCOA prospective participants climbed up to 2,035 from a total of 961 in June 2013 or an increase of 112%. The increase was mainly attributable to the entry of more Contestable Customers, including those with average demand of 750 kW, from 892 in June 2013 to 1,884 in September 2019. The total Contestable Customer comprised 93% of the total RCOA Participants while the number of Suppliers made up 3% of the total. Within the period, total prospective CCs were observed to have a 111% increase while Suppliers increased by 75%.

Actual participation in the RCOA, i.e. registration in the Central Registration Body (CRB), increased by 480% from 275 registered participants in June 2013 to 1,596 as of September 2019. The total registered participants are composed of 94% Contestable Customers, 3% Suppliers, 2% SOLR and about 2% RMSP.

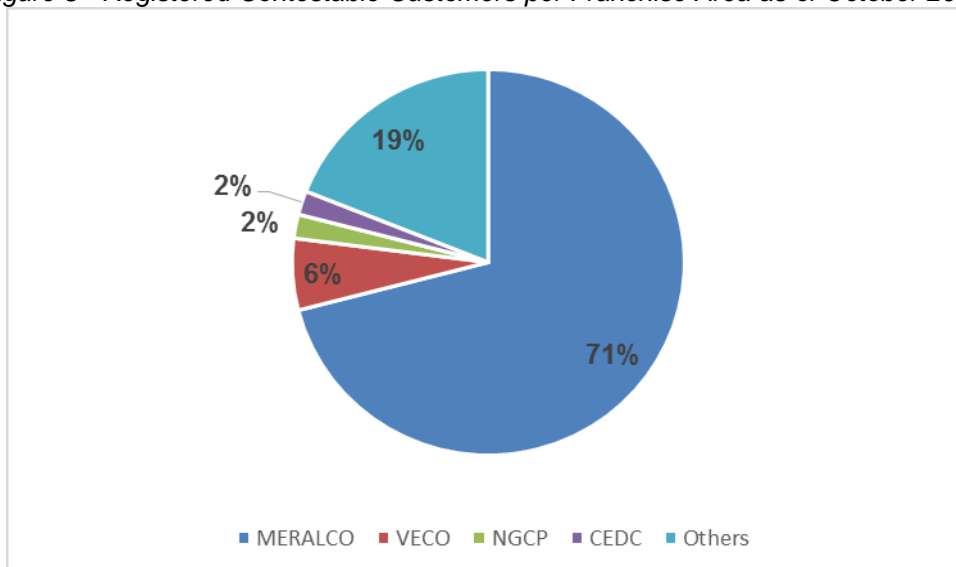
Table 23. Summary of RCOA Registration

Membership Category					Prospective		
		Jun 2013	Sep 2019	Increase	Jun 2013	Sep 2019	Increase
Contestable Customers	D ≥ 1MW	892	1,356	52%	239	1,077	351%
	750kW ≥ D > 1MW	0	528		0	296	
	Total	892	1,884	111%	239	1,495	526%
Suppliers	RES	19	31	63%	15	31	107%
	LRES	13	25	92%	3	14	367%
	Total	32	56	75%	18	45	150%
SOLR		9	47	422%	0	25	
RMSP		28	48	71%	18	31	72%
Grand Total		961	2,035	112%	275	1,596	480%

Source: ERC, PEMC

Figure below illustrates that the majority of the CCs are situated within the franchise area of MERALCO at 71%. Six percent (6%) is in the franchise area of VECO, while NGCP has accounted for the 2% of the Directly Connected Contestable Customers (DCCC). The Clark Electric Distribution Corporation (CEDC) have 2% as well, and the remaining 19% were distributed among the 44 other franchises.

Figure 8 - Registered Contestable Customers per Franchise Area as of October 2019



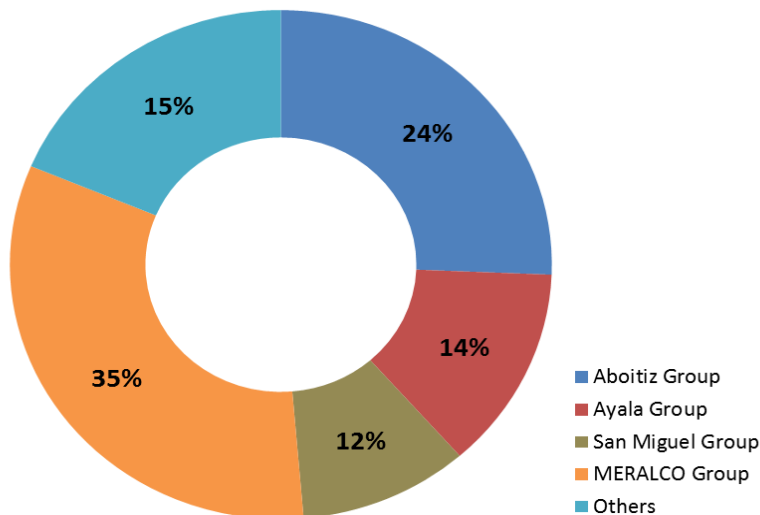
Of the 45 registered Suppliers, 29 are currently transacting with CCs, which include the four biggest group of companies affiliated with more than one RES or Local RES. This is 66% of the total registered suppliers.

Table 24. List of Suppliers with Contestable Customers

Aboitiz Group
Aboitiz Energy Solutions, Inc.
AdventEnergy, Inc.
SN Aboitiz Power – RES Inc.
San Fernando Light & Power
PRISM Energy, Inc.
Mazzaraty Energy Corporation
Ayala Group
Econzone Power Management, Inc.
DirectPower Management, Inc.
AC Energy, Inc.
San Miguel Group
San Miguel Electric Corp.
SMC Consolidated Power Corp.
MERALCO Group
Manila Electric Co. (MPower)
Vantage Energy Solution and Management, Inc.
Clark Electric Distribution Corporation
Others
First Gen Energy Solutions
Global Energy Supply Corp.
GNPower Ltd. Co.
TEAM (Phils.) Energy Corp.
Masinloc Power Partners Co., Ltd.
Phinma Energy Corp.
Manta Energy, Inc.
KEPCO SPC Power Corporation
Premier Energy Resource Corp.
FDC Retail Electricity Sales Corporation
Kratos RES Inc.
Bac-Man Geothermal, Inc.
Citicore Energy Solutions
Corenergy, Inc.
Anda Power Corporation

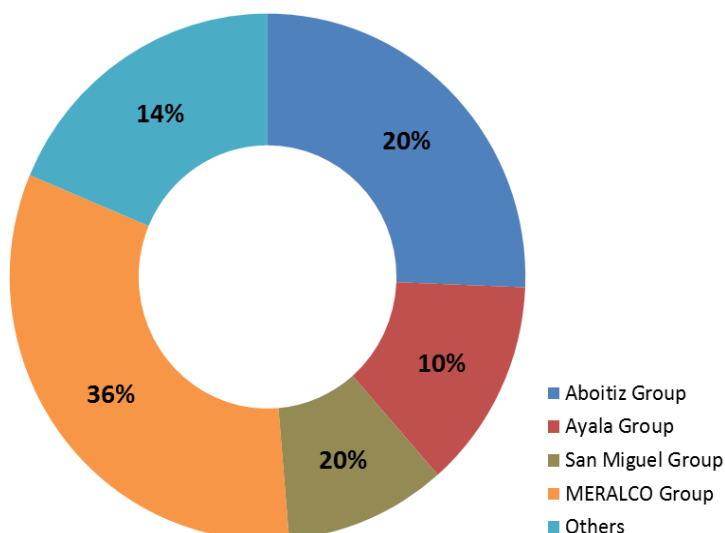
MERALCO group has the most number of CCs with 35% percent of the total share. Consolidated number of CCs of the Aboitiz group ranked second with 24% and followed by the Ayala Group with 14%. San Miguel Group garnered 12% while the remaining 15% were accounted to other suppliers.

Figure 9 - Number of CCs per Suppliers Group as of October 2019



Similarly, MERALCO group has the largest share of energy sales with 34 percent for the 1st quarter of 2019. Aboitiz group has a total 22% share while San Miguel Group accounted for 19%. Ayala group has 9% of the total sales to CCs while other Supplier combined for the remaining 12%.

Figure 10 - Sales per Supplier Groups' from May to October 2019



The average monthly metered quantities during the report period is recorded at 1,679 GWh of which more than contracted energy was accounted and 8% were sold through the spot market. The highest metered quantity was in June 2019 at 1,728 GWh.

The monthly switching rate was at the period was recorded to be about 4 customer switches. The largest number of switches approved was 12 in June 2019.

Department Circular No. DC2017-12-0013 provides for the timeline of lowering the demand threshold level in voluntary participation of the CCs on the retail market. In the said circular, it is expected to increase the number of eligible CCs which requires the updating and simplifying RCOA processes. Also, the DOE promulgated Department Circular No. DC2018-01-0002 providing the policies for the efficient transition of the WESM to the IMO which assumed the functions of the Market Operator while PEMC shall be the governing arm of the WESM. In cognizant of these concerns, the DOE further adopted policies for the implementation of the RCOA thru Department Circular No. DC2019-07-0011, entitled “Amending Various Issuances on the implementation of RCOA” which provides for the voluntary registration of the CCs in the WESM as Trading Participants and designating the IMO as the Central Registration Body.

E. Generating Capacity Market Share and Concentration

Section 45 of the EPIRA provide cross-ownership and market share limitations as follows:

- a. No generation company, distribution utility, or its respective subsidiary or affiliate or stockholder or official of a generation company or distribution utility, or other entity engaged in generating and supplying electricity specified by ERC within the fourth civil degree of consanguinity or affinity, shall be allowed to hold any interest, directly or indirectly, in TRANSCO or its concessionaire.
- b. No company or related group can own, operate or control more than thirty percent (30%) of the installed generating capacity of a grid and/or twenty-five percent (25%) of the national installed generating capacity
- c. 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

Relative to above, following are the updates on the compliances of the electric power industry participants:

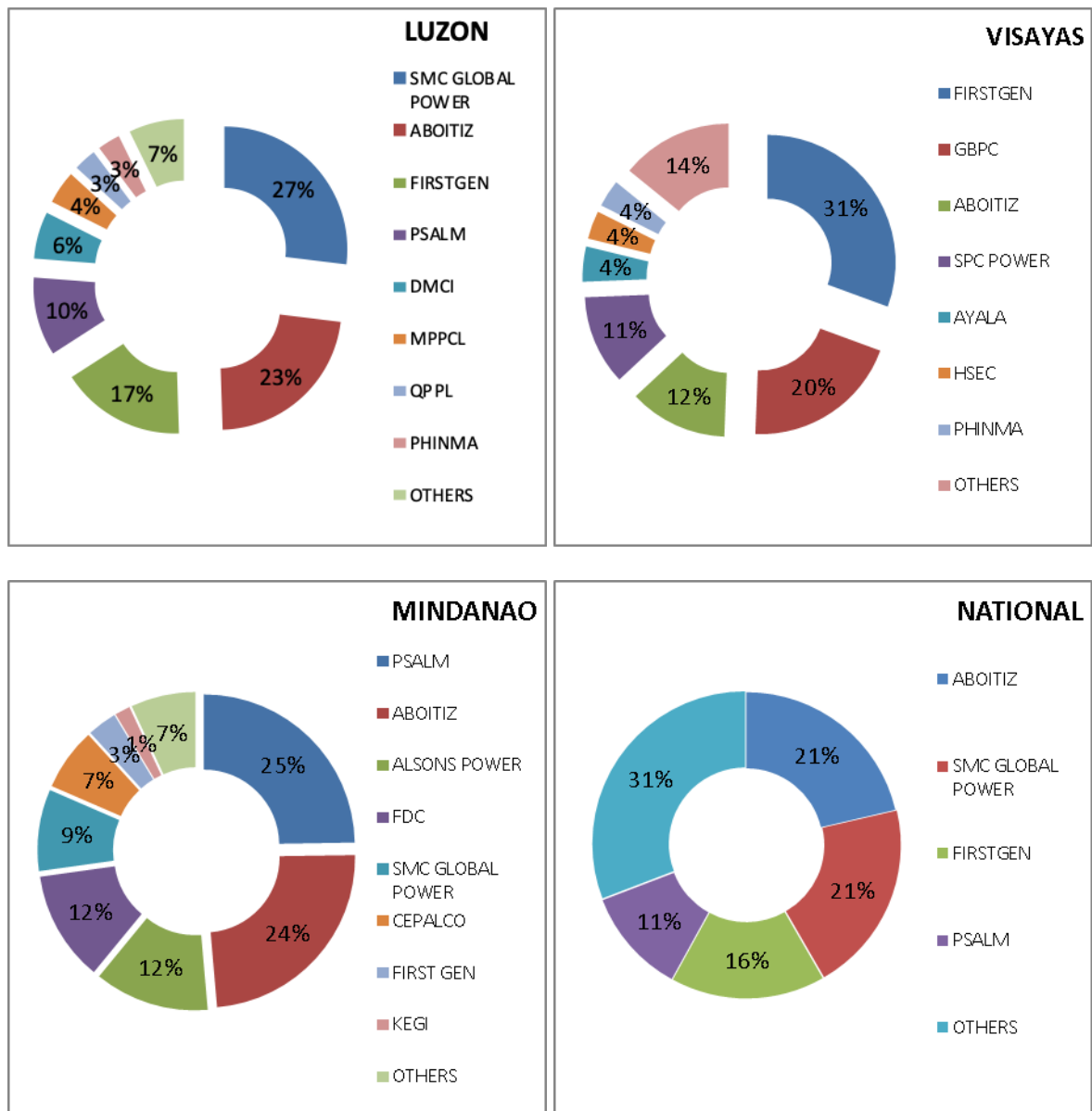
Table 25. Market Share Determination per Grid and National Grid

Grid	Installed Generating Capacity (kW)	% Market Share Limitation as per R.A. 9136	Installed Generating Capacity Limit (kW)
Luzon	15,350,824	30%	4,605,247
Visayas	3,031,458	30%	909,437
Mindanao	3,420,818	30%	1,026,245
National	21,803,100	25%	5,450,775

Source: ERC Resolution No.05, Series of 2019

Below is the graphical presentation of the dominant power market players with their respective percentage market share.

Figure 11 - Market Share Determination per Grid and National Grid



In Luzon Grid wherein the total installed generating capacity (IGC) for 2019 is 15,350,824.00 kW, the SMC Global Power Holdings Corp. (SMC Global Power) holds the portion of 4,137,000 kW which is equivalent to 27% of the total IGC of Luzon Grid and dominates the market. SMC Global Power's IGC is composed of coal, natural gas, and hydropower. Their power assets are under Independent Power Producer Administrators (IPPAs) Agreements with PSALM, or are owned/under joint-venture agreements and are classified as Independent Power Producers (IPPs). The Aboitiz Power gained the second largest share of the market having an IGC of 3,460,250 kW or 25% of the total IGC of Luzon Grid. Majority of its energy portfolio comes from thermal and renewable as an IPP and IPPA. The FirstGen ranks third with IGC of 2,518,000 kW or 17% of the total IGC of Luzon. Meanwhile, PSALM still covers 10% of IGC of Luzon which is equal to 1,586,800 kW.

In Visayas Grid with 3,031,458 kW total IGC, FirstGen exceeded the market share limitation (MSL) of 30%. FirstGen covers 31% of the total IGC of Visayas which is equal to 928,070 kW. As an IPP and IPPA, FirstGen major source for energy production is geothermal. The Global Business Power Corp (GBPC) with 20% share or 605,700 kW IGC ranks as the second largest market shareholder. GBPC operated the majority of coal power plants in Iloilo, Aklan and Cebu. The third largest shareholder in Visayas is the Aboitiz Power having an IGC of 376,900 kW or 12% of the total IGC.

In Mindanao Grid with 3,420,818 kW total IGC, PSALM still holds largest portion amounting to 847,100 kW or 25% market share. Aboitiz Power covers 24% market share that is equivalent to 816,470 kW and followed by Alsons Power having an IGC of 420,411 or 12%.

In the National Grid, Aboitiz Power dominates the market at 21% total share or equal to 4,653,620 kW IGC. The second largest contributor to the IGC is the SMC Global Power at 20% equivalent to 4,437,000 kW. FirstGen positioned at the third rank having 16% share or 3,554,470 kW. PSALM still holds 11% of the total market share at 2,433,900 kW.

F. Market Concentration

To measure the current Philippine power market concentration, the DOE uses the Herfindahl-Hirschman index (HHI) computation. HHI is the most common measure used to assess concentration from shares of industry participants. In the US, the market with an HHI of less than 1,500 is considered to be a competitive marketplace, an HHI of 1,500 to 2,500 to be a moderately concentrated marketplace, and an HHI of 2,500 or greater to be a highly concentrated marketplace. The closer a market is to a monopoly, the higher the market's concentration (and the lower its competition).

HHI for Luzon, Visayas and Mindanao is less than 2500 which means that there is a moderate competition in the energy market per grid. The result is the same in the national grid with an HHI of 2179.

Luzon				
Ranking	Market Players	Installed Generating Capacity	Market Share	% Share (squared)
1	SMC GLOBAL POWER	4,137,000	27%	729
2	ABOTIZ	3,460,250	23%	529
3	FIRSTGEN	2,518,000	16%	256
4	PSALM	1,586,800	10%	100
5	OTHERS	3,648,774	24%	576
	TOTAL	15,350,824	HHI	2190

Visayas				
Ranking	Market Players	Installed Generating Capacity	Market Share	% Share (squared)
1	FIRSTGEN	928,070	31%	961
2	GBPC	605,700	20%	400
3	ABOITIZ	376,900	12%	144
4	SPC POWER	344,200	11%	121
5	OTHERS	776,588	26%	676
	TOTAL	3,031,458	HHI	2302

Mindanao				
Ranking	Market Players	Installed Generating Capacity	Market Share	% Share (squared)
1	PSALM	847,100	25%	625
2	ABOITIZ	816,470	24%	576
3	ALSONS POWER	420,411	12%	144
4	FDC	405,000	12%	144
5	OTHERS	931,837	27%	729
	TOTAL	3,420,818	HHI	2218

National				
Ranking	Market Players	Installed Generating Capacity	Market Share	% Share (squared)
1	ABOITIZ	4,653,620	21%	441
2	SMC GLOBAL POWER	4,437,000	20%	400
3	FIRSTGEN	3,554,470	16%	256
4	PSALM	2,433,900	11%	121
5	OTHERS	6,724,110	31%	961
	TOTAL	21,803,100	HHI	2179

VI. POWER SUPPLY SECURITY AND RELIABILITY

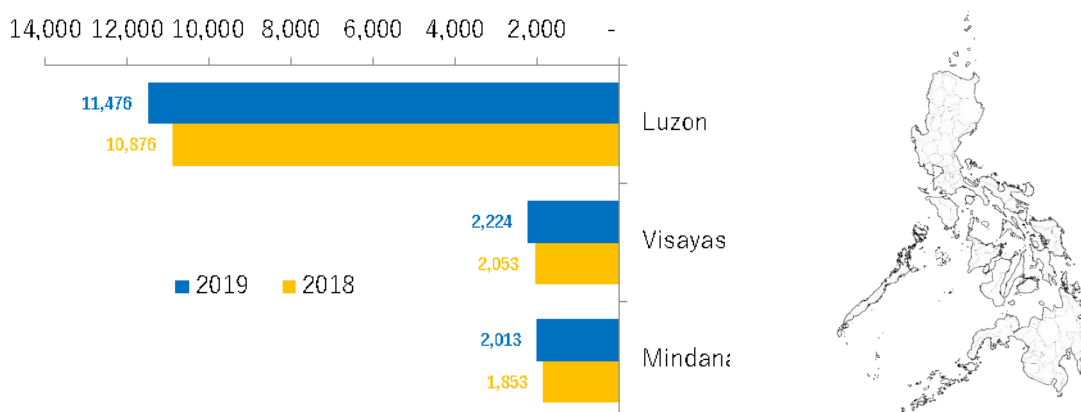
A. Peak Demand

For the first half of 2019, the country's total peak demand² was recorded at 15,713 MW, which is 931 MW or 6.3% higher than the 14,782 MW in 2018.

The Luzon grid contributed 11,476 MW or 73.0% of the total demand with an increase of 600 MW or 5.5% from the 2018 peak demand of 10,876 MW. The peak demand registered by the system operator occurred on 21 June 2019, with Luzon peak at 11,344 MW. During that interval, a red alert notice was issued and a portion of the demand of the Manila Electric Company (MERALCO) was de-loaded through the Interruptible Load Program (ILP). To capture the actual peak demand of Luzon, the recorded compensable de-loaded ILP participants amounting to 132 MW was added to the system peak demand that resulted to a total of 11,476 MW.

Visayas and Mindanao contributed a share of 14.2% (2,224 MW) and 12.8% (2,013 MW), respectively. With reference to year 2018, the peak demand of Visayas grew by 8.3%, while the peak demand of Mindanao grew by 8.6%. The demand in these regions may still continue to increase by the latter part of the year since their peak demand, based on historical data, usually occurs in November or December.

Figure 12 - 2017 vs. 2018 Peak Demand per Grid (in MW)



B. Installed and Dependable Capacity

Table 26. Total Installed and Dependable Capacity Per Technology, Philippines, as of 30 June 2019

FUEL TYPE	PHILIPPINES			
	Capacity (MW)		Percent Share (%)	
	Installed	Dependable	Installed	Dependable
Coal	9,314	8,760	38.3	40.4
Oil Based	4,278	3,024	17.6	14.0
Natural Gas	3,453	3,286	14.2	15.2
Renewable Energy (RE)	7,245	6,605	29.8	30.5
Geothermal	1,944	1,770	8.0	8.2
Hydro	3,719	3,486	15.3	16.1
Biomass	258	182	1.1	0.8

² Total non-coincidental peak demand of Luzon, Visayas and Mindanao grids.

FUEL TYPE	PHILIPPINES			
	Capacity (MW)		Percent Share (%)	
	Installed	Dependable	Installed	Dependable
Solar	896	740	3.7	3.4
Wind	427	427	1.8	2.0
TOTAL	24,289	21,675	100.0	100.0

Source: DOE

Table 27. Newly Operational Power Plants for 1st Half 2019

POWER PLANT		CAPACITY, MW		LOCATION	OPERATOR	Commercial Operation Date
Facility Name	Subtype	Installed	Dependable	Municipality/ Province		
LUZON		0	0			
VISAYAS		158.0	141.4			
Coal		150.0	135.0			
Therma Visayas U1	Circulating Fluidized Bed (CFB) Coal	150.0	135.0	Toledo City, Cebu	Therma Visayas, Inc. (TVI)	April 2019
Diesel		8.0	6.4			
CALUMANGAN DPP U5	Bunker/Diesel Internal Combustion Engine	8.0	6.4	Bago City, Negros Occidental	Central Negros Power Reliability, Inc. (CENPRI)	March 2019
MINDANAO		300.0	276.0			
Coal		300.0	276.0			
GNPOWER KAUSAWAGAN U1	Circulating Fluidized Bed (CFB) Coal	150.0	138.0	Kauswagan, Lanao Del Norte	GNPower Kauswagan Ltd. Co.	May 2019
GNPOWER KAUSAWAGAN U2	Circulating Fluidized Bed (CFB) Coal	150.0	138.0			May 2019

TOTAL NEW CAPACITY FOR 1H 2019 (MW)	458	417.4
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Source: DOE

The total installed capacity in the first half of 2019 grew by 2.0% from 23,815 MW in 2018 to 24,289 MW. As shown in Table 31, a total of 458 MW newly installed capacities were added to the country's supply which included coal-fired (450 MW) and oil-based (8 MW) technologies. In terms of share by grid, Visayas contributed 158 MW or 34.5% and Mindanao at 300 MW or 65.5% while Luzon has not developed any additional capacities for the first half of 2019.

The installed and dependable capacities in Luzon were updated to account the changes in the capacities of some power plants, particularly coal, oil-based, and hydroelectric power plants due to quality of fuel and operational constraints. The Luzon grid recorded an installed capacity of 16,554 MW and a dependable capacity of 14,973 MW. As shown in Figure 2, coal-fired power plants still dominated the Luzon installed capacity mix with 37.8% followed by natural gas at 20.9%. On the other hand, various renewable energy sources contributed 25.6% in the mix while oil-based is at 15.7%.

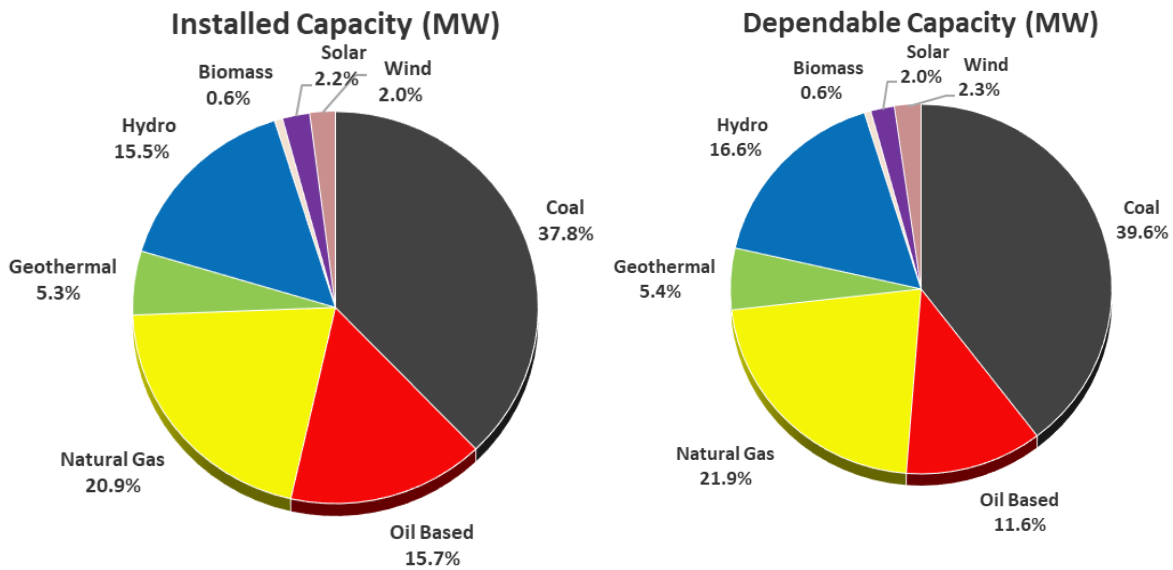


Figure 18 - Luzon Capacity Mix as of 30 June 2019

Visayas grid has a total installed capacity of 3,588 MW with majority share from fossil-based power plants at 54%, 38.8% of which comes from coal-fired power plants. The RE share in the region is at 46% with large percentages coming from geothermal power plants at 26.9% and solar generating facilities at 13.3%, as shown in Figure 3.

In terms of absolute numbers, these capacities should be enough to cover the current demand level of Visayas. However, there are still a lot of occasions where the region experiences tight supply conditions due to simultaneous outages of power plants and transmission line congestions being experienced in the area.

There are power projects in the region that are ready to provide power but are not able to proceed at the moment due to the ongoing completion of the 230 kV Cebu-Negros-Panay Transmission Project which is scheduled to be commissioned in December 2020.

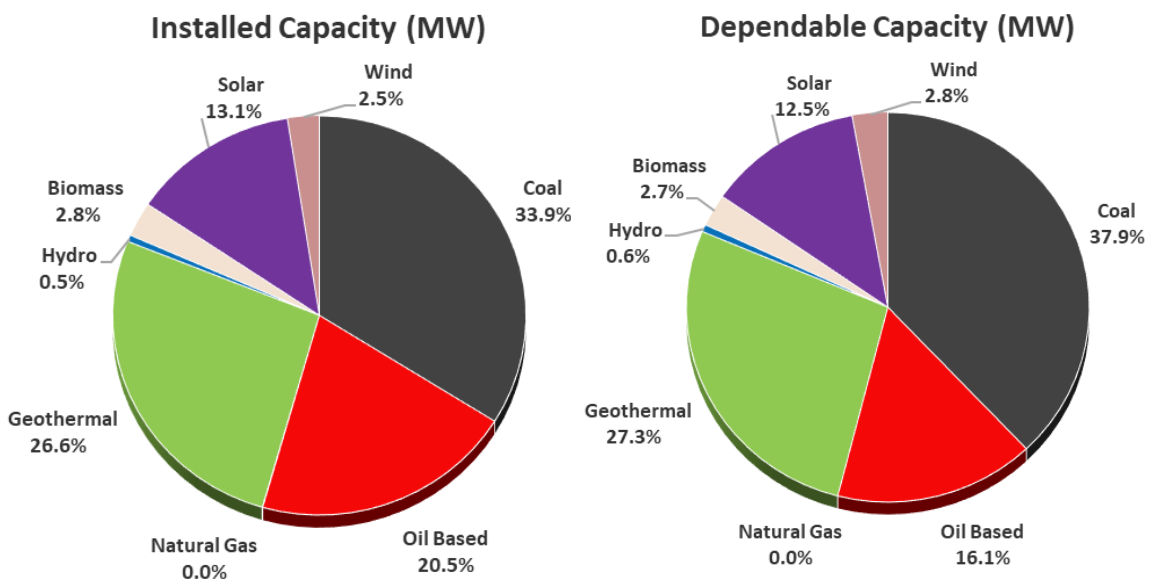


Figure 19 - Visayas Capacity Mix as of 30 June 2019

For Mindanao, the grid further increased in terms of supply due to the operation of the first two units (150 MW per unit) of GNPower Kauswagan coal-fired power plant in Lanao del Norte. With the operation of these plants, Mindanao currently has 4,109 MW total installed capacity and 3,541 MW dependable capacity wherein coal-fired power plants continuously dominates the capacity mix having more than 44.3% and 46.1% of installed and dependable capacity, respectively. This is followed by the share coming from hydroelectric power plants, majority of which is from the Agus-Pulangi complex of NPC, with about 27.6%, both for installed and dependable capacity, as shown in figure below.

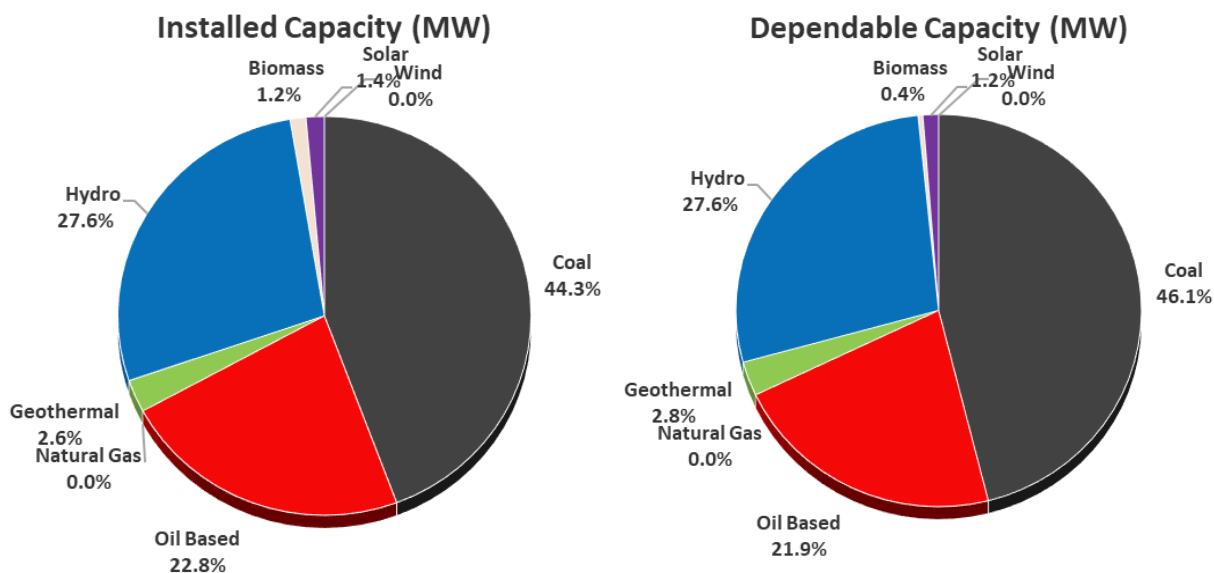


Figure 20 - Mindanao Capacity Mix as of 30 June

C. Power Projects

To address the increasing demand brought about by economic development and climate change, DOE encourages the private sector to invest in power generation to augment the needed capacity in the power system. With the promulgation of Republic Act No. 11234, establishing the Energy Virtual One-Stop Shop or the EVOSS Act, the processing and approval of power projects will be hastened. This system is envisioned to streamline government processes which will allow efficiency in existing procedures and monitoring activities. As shown in Table 5, capacities from committed power projects reached 6,280 MW by the end of July 2019. About 80% of these capacities are from coal-fired power projects that will provide baseload capacity in the system in the coming years.

The indicative power projects capacity amounted to 38,702 MW by the end of July 2019. Coal-fired power projects contributed 28.1%, while 53.1% is expected to come from renewable energy technologies.

Table 28. Committed and Indicative Capacities, Philippines, as of 31 July 2019 (in MW)

Type of Power Plant	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
Coal	9	4,921.0	78.4	17	10,868.0	28.1
Oil-Based	2	114.6	1.8	10	1,104.8	2.9
Natural Gas	1	650.0	10.3	7	6,160.0	15.9

Type of Power Plant	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
Renewable Energy	35	594.6	9.5	176	20,569.2	53.1
<i>Geothermal</i>	2	81.0	1.3	6	416.0	1.1
<i>Hydro</i>	13	79.5	1.3	61	5,080.3	13.1
<i>Biomass</i>	18	294.1	4.7	21	279.8	0.7
<i>Solar</i>	2	140.0	2.2	69	11,036.8	28.5
<i>Wind</i>	0	0.0	0.0	19	3,756.4	9.7
TOTAL	47	6,280.2	100.0	210	38,702.0	100.0

Source: DOE

Table 29. Committed and Indicative Capacities, Luzon, as of 31 July 2019 (in MW)

Type of Power Plant	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
Coal	5	3,936.0	81.6	11	8,935.0	28.3
Oil-Based	0	0.0	0.0	4	966.0	3.1
Natural Gas	1	650.0	13.5	6	6,160.0	19.5
Renewable Energy	18	235.6	4.9	99	15,505.2	49.1
<i>Geothermal</i>	1	31.0	0.6	3	310.0	1.0
<i>Hydro</i>	9	23.4	0.5	35	3,498.9	11.1
<i>Biomass</i>	7	66.2	1.4	11	128.4	0.4
<i>Solar</i>	1	115.0	2.4	40	9,529.5	30.2
<i>Wind</i>	0	0.0	0.0	10	2,038.4	6.5
TOTAL	24	4,821.6	100.0	123	31,566.2	100.0

Source: DOE

Table 30. Committed and Indicative Capacities, Visayas, as of 31 July 2019 (in MW)

Type of Power Plant	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
Coal	2	285.0	42.0	2	600.0	15.0
Oil-Based	2	114.6	16.9	5	132.9	3.3
Natural Gas	0	0.0	0.0	1	0.0	0.0
Renewable Energy	11	279.7	41.2	36	3,257.5	81.6
<i>Geothermal</i>	1	50.0	7.4	2	76.0	1.9
<i>Hydro</i>	2	23.1	3.4	11	728.2	18.2
<i>Biomass</i>	8	206.6	30.4	3	32.0	0.8
<i>Solar</i>	0	0.0	0.0	11	703.3	17.6

Type of Power Plant	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
<i>Wind</i>	0	0.0	0.0	9	1,718.0	43.1
TOTAL	15	679.3	100.0	44	3,990.4	100.0

Source: DOE

Table 31. Committed and Indicative Capacities, Mindanao, as of 31 July 2019 (in MW)

Type of Power Plant	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
Coal	2	700.0	89.8	4	1,333.0	42.4
Oil-Based	0	0.0	0.0	1	5.9	0.2
Natural Gas	0	0.0	0.0	0	0.0	0.0
Renewable Energy	6	79.4	10.2	41	1,806.6	57.4
<i>Geothermal</i>	0	0.0	0.0	1	30.0	1.0
<i>Hydro</i>	2	33.0	4.2	15	853.2	27.1
<i>Biomass</i>	3	21.4	2.7	7	119.4	3.8
<i>Solar</i>	1	25.0	3.2	18	804.0	25.6
<i>Wind</i>	0	0.0	0.0	0	0.0	0.0
TOTAL	8	779.4	100.0	46	3,145.4	100.0

Source: DOE

D. Significant Incidents in Luzon, Visayas, and Mindanao

LUZON

During the report period, Luzon grid experienced 42 Yellow Alerts and 15 Red Alerts notices. The red and yellow alerts were mainly attributed to the high demand coupled with the mild El Niño condition that further increased the demand and also brought down the available capacity of hydroelectric power plants in the grid. Series of unplanned outages, extended outages, and capacity deration of power plants also contributed to the initiation of these alerts. Furthermore, expected capacity from committed power projects were not able to ease the power situation due to their delayed commissioning and commercial operation, such as the 300 MW Masinloc Expansion and the 150 MW SMC Limay Power Projects. The red alert occurrences resulted to series of automatic and manual load dropping incidents which led to the implementation of ILP.

Another striking incident in the Luzon grid was the 6.1 magnitude earthquake at 5:11 PM of 22 April 2019 with epicenter located 18 kilometers east of Castillejos, Zambales. After the earthquake, several power plants and some transmission lines in central Luzon tripped leaving Luzon with 10,059 MW available capacity which was insufficient to supply the system demand. Power in the affected areas were immediately restored, however, few power plants were isolated due to sustained transmission line outages and equipment problems in the power plant facilities.

VISAYAS

Visayas grid has been a recipient of a lot of yellow alerts and a few red alerts this first half of 2019, having 95 Yellow alert notices and 5 Red alert notices. These alerts usually occurred in the evening and was amplified on occasions where a significant amount of capacity is unavailable due to plant outages and reduction of output from solar plants. These issuances have been more frequent this year due to increasing demand and the existing transmission line congestions being experienced in the region.

There were a couple of new power plants that went on commercial operation this year in the Visayas and the completion of ongoing transmission projects is expected to alleviate the situation in the grid and help provide the necessary highways where electricity can pass through and be delivered in various parts of the island region.

MINDANAO

There was no recorded significant incident that disrupted the operation of the Mindanao grid, despite the occurrence of several natural calamities such as earthquakes and typhoons.

E. Distribution Infrastructure Projects

ERC-Approved Capital Expenditure (CAPEX) Projects

Section 43 (f) of the Republic Act No. 9136, otherwise known as the EPIRA, provides that any significant operating costs or projects investment of DU 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.

On the other hand, the accompanying application for authority to secure loan from the NEA in connection with the funding source for the proposed projects, is being filed pursuant to Section 20 e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which requires every public service to secure the approval and authorization of the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year.

For this period, the ERC granted approval to the CAPEX Projects applications filed by sixteen (16) Distribution Utilities namely: Aurora Electric Cooperative, Inc. (AURELCO), Bohol Light Company, Inc. (BLCI), Biliran Electric Cooperative, Inc. (BILECO), Cabanatuan Electric Corporation (CELCOR), Cagayan II Electric Cooperative, Inc. (CAGELCO II), Don Orestes Romualdez Electric Cooperative, Inc. (DORELCO), First Laguna Electric Cooperative, Inc. (FLECO), Ilocos Norte Electric Cooperative, Inc. (INEC), Ilocos Sur Electric Cooperative, Inc. (ISECO), Kalinga Apayao Electric Cooperative, Inc. (KAELCO), Lanao del Norte Electric Cooperative, Inc. (LANECO), Sorsogon I Electric Cooperative, Inc. (SORECO I), Sorsogon II Electric Cooperative, Inc. (SORECO II), Tarlac Electric, Inc. (TEI), Visayan Electric Company, Inc. (VECO) and Zamboanga del Norte Electric Cooperative, Inc. (ZANECO). Details of the project is shown in Annex 3.

VII. TOTAL ELECTRIFICATION

Under *Sec. 2(a) of the EPIRA 2001*, it is the declared policy of the State to ensure and accelerate the total electrification of the country. Said law also mandates the DUs to provide universal service in their franchise areas including unviable areas at a reasonable time. The Government has implemented a massive and focused action to increase and accelerate access to electricity services by the country's unenergized communities and households while contributing to poverty alleviation. Previous programs and activities of the Government resulted to almost 100% barangay electrification, with only six (6) barangays out of the total of 41,974 potential barangays remaining as unenergized due to geographical and security reasons. The current program of the Government aims to attain 90% household electrification by 2017.

1. Status of Household Electrification

For the report period, the household electrification level of the country is estimated at 98.33% based on the latest status of energization provided by the NEA, LGUOUs and PIOUs as of 30 June 2019. Said level corresponds to 22.60 million energized HHs out of 22.98 million identified and targeted HH population based from the 2015 Census of the Philippine Statistics Authority (PSA).

Table 32. Household Electrification Level

Distribution Utility	Household		
	Total Household Population (2015 Census)	Served HHs	%HH Level
Electric Cooperatives	14,373,161	13,236,271	92.32%
MERALCO	6,476,870	7,280,733	100.00%
Other PIOUs/LGU Owned Utilities	2,171,316	2,083,031	95.93%
Total	22,984,971	22,600,035	98.33%

Source: DOE

2. On-going and Planned Programs and Activities

- Grid Electrification

- a. NEA's Expanded Sitio Electrification Program (Expanded SEP)

This refers to NEA's program of attaining 100 percent sitio electrification in the country while providing house wiring and connection assistance to eligible HHs. With 1,259 unenergized sitios targeted for CY2019, NEA have completed to energized 469 sitios as of 30 June 2019 with corresponding project cost amounting to PhP703,500,000.00.

- b. NEA's Barangay Line Enhancement Program (BLEP)

This aims to rehabilitate those barangays previously energized by off-grid solutions but deemed unsustainable. To enhance the program, it shall only cover those off-grid barangays that are already economically feasible for distribution line extension. NEA shall assist in recovering the existing off-grid electrification facilities still owned by the Government for reconfiguration and transfer to other far-flung areas that can be best served by off-grid solutions.

For the report period, no budget is allocated on BLEP Projects for CY2018-2019 hence, NEA has no targets for CY2019. However, as of 31 December 2019, there are 72 barangays nationwide that needs for enhancement. NEA managed to complete 3 BLEP projects as of 30 June 2019 amounting to PhP4,279,137.84.

c. Rationalization of Implementation of Energy Regulations 1-94 Electrification Funds

Under this concept, DOE shall effectively administer ER 1-94 EF to support the total electrification of the identified host barangays and municipalities consistent with the policies set forth under the guidelines. This aims of bringing electricity to all households in the communities hosting the power generating facilities and/or energy resources following the radiating order, prioritizing the host cities/municipalities project proposal for DOE's funding approval under the ER 1-94 Electrification Fund.

As part of the DC2018-08-0021 "Providing for the Amendments of Rule 29 Part (A) of the Implementing Rules and Regulations of Republic Act No. 9136", the DOE have conducted Information, Education and Communication (IEC) Campaigns in Cagayan de Oro City and Davao City on 15 August 2019 and 11-12 September 2019, respectively. The discussion on the said IEC mainly focus on the computation and allocation of financial benefits, requirements to facilitate the transfer of financial benefits and the projects to be covered/funded under electrification fund.

For the period of May 2019 to October 2019, fourteen (14) DLF projects were completed and inspected amounting to Php2.54 Million, fourteen (14) RWMHEEF projects were completed and inspected amounting to Php7.55 Million, and one (1) EF project was completed and inspected amounting to Php12.46 Million.

Fund Type	No. of Projects	Total Approved Project Cost
Electrification Fund	1	12.46 M
Development and Livelihood Fund	14	2.54 M
Reforestation, Watershed Management, Health and/or Environment Enhancement Fund	14	7.55 M

d. Nationwide Intensification of Household Electrification (NIHE) Program

Approved in 2014, the NIHE project is 3-year program that aims to implement measures and grant assistance to intensify household electrification. Under NIHE, DUs are encouraged to adopt more pro-active and innovative marketing strategies to fast-track electrification of the remaining unelectrified households both in rural and urban areas of the country. Technical assistance to be undertaken by the NIHE Project include streamlining of connection process, LGU-DU partnership for assistance in connection permits, and policy support to address the issue of slum electrification and flying connections, among others.

However, during the Budget Deliberations in Congress, the House of Representatives has allotted another budget for the program under General Appropriations Act CY2018 to accommodate more requests amounting to Php300,000,000.00.

For the 2015 NIHE Program, 23,106 household are reported energized out of 30,512 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2019.

For the 2016 NIHE Program, 59,313 household are reported energized out of 116,592 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2019.

For 2017 NIHE Program, 26,566 household are reported energized out of 115,216 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2019.

For 2018 NIHE Program, 289 households are reported energized out of 81,770 approved and allocated with house-wiring and KWH meter subsidy as of 15 September 2019.

- Off-Grid Electrification

1. PV Mainstreaming's ASEP and GOP Counterpart

The access to Sustainable Energy Program aims to support the Government of the Philippines in achieving inclusive growth through access to electricity and energy services by greater number of Filipinos as specified under the Philippine Development Plan and DOE's Household Electrification Development Plan.

EU Provided a grant amounting to EUR60 million, which was signed and made effective on December 15, 2015. The total program cost was PhP4.89 billion consisting of PhP2.82 billion EU Grant and a GOP Counterpart of PhP2.03 billion (broken down as PhP364.99 million as national counterpart; PhP18.87 million as LGU Contribution; and PhP1,646 million private sector contribution).

PV Mainstreaming is the program of the Government and part of Component 2: Investment Support/Grants. In this off grid electrification scheme, the ECs shall install and operate and maintain 50-watt peak solar home systems to remote areas in electric cooperatives franchise area as a new business line. Over project implementation period ASEP PVM aims to accomplish/ energize 40,500 potential households and 11,113 households under the GOP Counterpart.

ASEP GOP 2018			
Distribution Utility	No. of HHs	Total Amount (Php)	Status
QUEZELCO II	1,333	31,325,500.00	Completed
BISELCO	3,711	87,208,500.00	Completed
BOHECO II	530	12,455,000.00	Systems already delivered. Installation on hold
TOTAL	5,575	130,989,000.00	

ASEP GOP 2018			
Distribution Utility	No. of HHs	Total Amount (Php)	Status
SULECO	2,575	60,512,500.00	On-going installation of SHS. Target to completion date: January 2020.
ILECO II	706	16,591,000.00	On-going installation of SHS. Target to completion date: Feb. 2020.
ZAMSURECO I	1,129	26,531,500.00	On-going installation of SHS. Target to completion date: March 2020.
TOTAL	4,410	103,635,000.00	

ASEP GOP 2019			
Distribution Utility	No. of HHs	Total Amount (Php)	Status
BISELCO	1,129	26,531,500.00	For Endorsement for Approval
TOTAL	1,129	26,531,500.00	

3. Qualified Third Party (QTP) Approach

With the issuance of the Department Order No. 2018-05-0010 in May 2018, *“Creation of a Task Force to Ensure Access to Electricity for the Communities that Remain Unserved and Underserved by Distribution Utilities,”* all ECs were required to submit their Electrification Plan to include areas that are proposed for alternative service providers or QTPs and National Power Corporation’s Small Power Utilities Group (NPC-SPUG). Based on this submission, the DOE and NEA shall conduct site verification to determine which among the proposed sites have potential for private sector investment. Thereafter will be the posting of these sites inviting potential investors to provide electricity services on the same through a competitive selection process to be undertaken by the DOE.

Meanwhile, the DOE issued Department Circular No. 2019-01-0001 *“Prescribing the Omnibus Guidelines on Enhancing Off-grid Power Development and Operation,”* in 25 January 2019. These Omnibus Guidelines apply to entities such as the QTPs that are engaged in the provision of electricity services in off-grid areas. Apart from ensuring power reliability, stability, efficiency and accountability in electricity services in off-grid areas, the Circular also indicated the need to rationalize the use of the universal charge for missionary electrification, in which the supplementary Circular to this effect will be issued sometime third quarter of 2019. This is foreseen that such rationalization policy will impact on the attractiveness of the QTP program for private sector investment.

Following are the updates on the QTP Program:

a. Rio Tuba QTP Project in Bataraza, Palawan

To date, PowerSource Philippines, Inc. (PSPI) is providing round the clock electricity service to 1,967 households for a subsidized rate of 8.50 pesos per kilowatt-hour. The mini-grid system in Brgy. Rio Tuba have an overall installed capacity of 1.505 MW (3x250 kW + 1x455 kW diesel gensets) with a recorded peak and off-peak load of 816 kWh and 458 kWh, respectively. PSPI maintains its system load within the acceptable value.

Line rehabilitation and extension will be done this year in the grid to capture the unserved areas and improve the system loss. Also, sub-station upgrade to cover the increasing demand of the barangay.

Currently, PSPI is in the process of amending and extending the QTP Service and Subsidy Contract with NPC-SPUG and securing its Solar Energy Service Contract to continue its operation as QTP and to change its existing renewable technology from biomass to solar PV and battery system. This is in compliance with QTPs mandate to maintain a minimum RE share in their energy portfolio as per DOE Circular 2018-08-0024 or the *“RPS Off-grid Rules.”*

b. Malapascua QTP Project in Malapascua Island, Logon, DaanBantayan, Cebu

For the reporting period, PSPI continues to operate its existing diesel gensets with total capacity of 1.54 MW in the Island charging PHP12.00/kWh for consumers with monthly consumption of 40kWh or less and PHP15.00/kWh for monthly consumption greater than 40kWh. The average system loss is 6.4%.

For the reporting period, 14 additional households were electrified and 15 households were disconnected due to unpaid electricity bills. Based on the barangay records, out of 1,227 households in the island, 1,132 are connected to the mini grid system, achieving 92.26% electrification level.

Relocation of poles and upgrading of sub-station are among those in the project pipeline of Malapascua in order to accommodate the increasing demand in one of the most visited spots in Northern Cebu.

c. Liminangcong, Taytay, Palawan

Residents of Bgy. Liminangcong are among those beneficial to the QTP program enjoying the 24/7 access to electricity provided by PSPI. The installed capacity in the coastal barangay of Liminangcong is 675kW (3x225 kW gensets) with a recorded peak and off-peak demand of 250 kWh and 135 kWh, respectively. PSPI is charging PHP8.50/kWh to its 943 customers.

PSPI will upgrade the sub-stations, distribution lines and extend lines to supply the demand of nearby establishments.

On 25 April 2019, Energy Regulatory Commission conducted an expository hearing in Brgy. Tumbod in relation to PSPI's request to extend its existing QTP service from Brgy. Liminangcong to Brgy. Tumbod. PSPI is planning to extend its overhead distribution line to provide electricity to about 395 households.

d. Brgys. Candawaga and Culasian in Rizal, Palawan

In Candawaga-Culasian grid, PSPI will upgrade the existing distribution line and extend it to unreached areas in Rizal within the year to accommodate the still large number of unconnected households in the area.

The system has an installed capacity of 460 kW with a recorded peak and off-peak demand of 104 kWh and 44 kWh, respectively. PSPI is authorized by the ERC through interim relief issued on April 2018 to collect Subsidized Approved Retail Rate (SARR) of 9.9082 pesos per kilowatt-hour to its existing 896 household consumers.

e. Brgy. Cabayugan , Puerto Princesa City, Palawan

Sabang Renewable Energy Corporation (SREC) started to provide 24/7 electricity service on 21 August 2019 to about 219 consumers charging PhP12/kWh for residential and public buildings while PhP15/kWh for commercial establishments. SREC is targeting to connect another 125 consumers within September.

To date, SREC recorded an average daily load of 1.6 MWh with 3 unscheduled power outages since the start of its operation due to strong rain and winds causing tree branches to fall onto the primary line. Mounting of consumer meter is currently on-going while erection of secondary poles is scheduled to commence on 3rd week of September 2019. The Genset, control and expo buildings are scheduled to be completed in October 2019.

SREC is scheduled to conduct an inauguration of the system on 09 October 2019.

f. Lahuy and Haponan Islands in Caramoan and Quinalasag Island in Garchitorena, Camarines Sur

The Energy Regulatory Commission (ERC) issued Provisional Authority to Operate to the First Philippine Island Energy Corporation (FPIEC) on 18 June 2019. Under its PA, ERC approved Blended Full Cost Recovery Rate (FCRR) per kWh are PhP30.3831, PhP30.8141 and PhP41.7991 for Quinalasag, Lahuy and Haponan, respectively. The SARR are at PhP12.00/kWh and PhP15.00/kWh for the residential/public buildings and commercial consumers, respectively for same areas.

Relevant to the latter's application for Authority to Operate and approval of its QTP Service and Subsidy Contract, ERC conducted the Public Hearing on 5 September 2019 at the multipurpose hall of Barangay Gata, Lahuy Island, Caramoan, Camarines Sur for the determination of its jurisdictional requirements, expository presentation, pre-trial conference and presentation of evidences.

During the public hearing, FPIEC targets to complete the Project by 3rd quarter of 2020. To date, FPIEC is preparing its procurement documents for the fuel supply and materials. The trial was concluded with the ERC requiring FPIEC to submit additional documents within 30 days to support its application.

Below is the summary status of the QTP projects:

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	PROPONENT	STATUS	Tariff
Rio Tuba, Bataraza, Palawan	1.05 MW Diesel - Biomass	1744	PSPI	Operational, Authority to Operate (ATO) issued by ERC, 2010	FCRR = Php24.4449/kWh SARR = PhP8.50/kWh
Malapascua, Daan-Bantayan, Cebu	750 kW Diesel	771	PSPI	Operational, Permanent ATO issued by ERC, 2016	FCRR = PhP24.6137/kWh SARR= <=40kWh = PhP12/kWh >40kWh = PhP15/kWh
Sabang, Puerto Princesa City, Palawan	Hybrid : 1.4 MW Solar + 1.2 MW Diesel + 2.3 MWh Battery	683	SREC	Authority to Operate (ATO) issued by ERC 05 October 2016	SARR = PhP12/kWh Residential & Public Bldgs PhP15/kWh Commercial Bldg
Candawaga & Culasian, Rizal, Palawan	268 kW Diesel	998	PSPI	Interim Relief April 2018	FCRR = PhP30.4868/kWh SARR = PhP9.9082/kWh
Balut Island, Sarangani, Davao Occidental	690 kW Diesel	3570	PSPI	Interim Relief April 2018	FCRR = PhP33.9905/kWh SARR = PhP9.5530/kWh
Liminang cong, Taytay, Palawan	108 kW Diesel	709	PSPI	Provisional ATO issued by ERC, 2016	FCRR = PhP36.25kWh SARR = 9.12kWh
Tumbod, Taytay, Palawan	Line extension from Brgy. Liminangcong	395	PSPI	ERC conducted expository hearing on 25 April 2019	
Lahuy Island, Caramoan Camarines Sur	246 kWp Solar + 400 kW Diesel + 79kWh Battery	550	FPIEC	Endorsed to ERC (23 Jan 2019) Provisional ATO issued by ERC, 18 June 2019	FCRR: PhP30.8141/kWh SARR = PhP12/kWh [Residential & Public Bldgs] PhP15/kWh [Commercial Bldg]

PROJECT LOCATION	TECHNOLOGY	TARGET HHs	PROPONENT	STATUS	Tariff
Haponan Island, Caramoan Camarines Sur	51.4 kWp Solar + 100 kW Diesel + 19 kWh Battery	87	FPIEC	Endorsed to ERC (23 Jan 2019) Provisional ATO issued by ERC, 18 June 2019	FCRR: PhP41.7991/kWh SARR = PhP12/kWh [Residential & Public Bldgs] PhP15/kWh [Commercial Bldg]
and Quinasalag Island in the Municipality of Garchitorea,	331 kWp Solar + 500 kW Diesel + 80kWh Battery	705	FPIEC	Endorsed to ERC (23 Jan 2019) Provisional ATO issued by ERC, 18 June 2019	FCRR: PhP30.3831/kWh SARR = PhP12/kWh [Residential & Public Bldgs] PhP15/kWh [Commercial Bldg]
Bgy. Poblacion, Dumarang, Palawan	Hybrid: 132.8 kWp Solar + 144 kW Diesel + 351.1 kWh Battery	331	PSPI	Endorsed to ERC (18 March 2019)	
Bgy. Manamoc, Cuyo, Palawan	216 kW Diesel	560	PSPI	Endorsed to ERC (18 March 2019)	
Bgy. Port Barton, San Vicente, Palawan	Hybrid: 200 kWp Solar + 609.5 kW Diesel + 200 kWh Battery	900	PSPI	Endorsed to ERC (18 March 2019)	

VIII. PROMOTION OF RURAL ELECTRIFICATION

Pursuant to Section 58 of the EPIRA, as additional mandate, the National Electrification Administration (NEA) shall develop and implement programs in strengthening the technical capability and financial viability of the rural ECs as electric utilities and to prepare the said ECs to operate and compete in deregulated electricity market, specifically in environment open access and retail wheeling.

1. Financial Assistance

As of August 2019, the agency released a total of PHP 516.42 million loans to 28 electric cooperatives (ECs) for capital projects, modular generator set, and standby credit facility. In addition, the agency was able to release PHP 10 million calamity loan to one (1) EC affected by Typhoon Ompong.

2. Competency Seminars and Training Programs for EC Personnel

In increasing the learning curve of NEA and ECs through competency programs for EC personnel, NEA conducted the following activities accordingly:

Date	Title of Training/Seminar	No. of Participants
May 6 - 7	Seminar-Workshop on Work Attitude and Values Enhancement at Workplace (WAVE-W) for EC Employees - PENELCO (Batch 6)	36
May 7 - 8	Seminar on Data Privacy Act and Freedom of Information - Visayas ECs	38
May 9 - 10	Seminar-Workshop on Work Attitude and Values Enhancement at Workplace (WAVE-W) for EC Employees - PENELCO (Batch 7)	64
May 14 - June 11	Electric Power Distribution Line Construction NC II for BATELEC I	16
May 21 - May 24	Training Course on Construction Occupational Safety and Health (COSH) - Luzon ECs	37
May 21 - June 18	Electric Power Distribution Line Construction NC II for INEC	37
June 18 - 19	Seminar-Workshop on Leadership in a Positive Environment with Emotional Intelligence	47
June 18 - 20	Personality Development Training	40
June 19 - 20	Seminar-Workshop on Work Order Procedures	33
June 20 - 21	Seminar-Workshop on Implementing Net Metering Rules and Interconnection Standards	29
June 25 - 28	Basic Occupational Safety and Health (BOSH)	28
July 2 - 30	Electric Power Distribution Line Construction NC II - ISECO	37
July 8 - August 6	Electric Power Distribution Line Construction NC II - BATELEC II	29
July 9 - 10	Seminar on Data Privacy Act and Freedom of Information	79
July 9 - 10	Seminar-Workshop on Leadership in a	49

Date	Title of Training/Seminar	No. of Participants
	Positive Environment with Emotional Intelligence	
July 9 - 10	Seminar-Workshop on Parliamentary Procedures and Policy Formulation	55
July 16 - 19	Seminar-Workshop on Work Attitude and Values Enhancement at Workplace - NEECO II-A1	101
August 13 - 17	Power Distribution System Lineworker Enhancement Course - ZAMECO II	30
August 27 - 28	Seminar-Workshop on Parliamentary Procedures and Policy Formulation	48
August 27 - 30	Basic Occupational Safety and Health (BOSH) Training Course	32
August 30 - 31	Seminar-Workshop on Work Attitude and Values Enhancement at Workplace - QUEZELCO I	113

3. Renewable Energy Development

NEA conducted a series of Information Education and Communication (IEC) campaign for the 1st quarter of 2019 to capacitate the ECs and enable them to adhere to the policy, implementing rules, and guidelines on renewable energy programs.

Seminar-workshop on Net-Metering Program was conducted to help ECs gain understanding on solar rooftop installations, and other RE technologies under the net-metering scheme and its implications to ECs on both technical and administrative processes. Through this seminar-workshop, ECs will be able to implement their own net-metering implementation plans.

Net-Metering Seminar-Workshop	Date (2019)	No. of Participants
CANORECO	June 20 - 21	29

4. Approved Policies/Guidelines

In accordance with its expanded powers, functions and privileges under Section 5 of Republic Act 10531 and Section 5 of the IRR, the NEA has formulated several policies and guidelines geared towards the fulfillment of NEA's mandate and to provide assistance and guidance to the ECs in the performance of their franchise obligations as distribution utilities:

- a. IRR and Rates of Expenses and Allowances for Official Local and Foreign Travels pursuant to Executive Order No. 77, Series of 2019;
- b. EC Member-Consumer-Owners' Program for Empowerment (MCOPE);
- c. Revised EC Model Organizational Structure; and
- d. Amended Enhanced Policy/Guidelines on EC Overall Performance Assessment Criteria.

ANNEXES

Annex 1. TRANSCO and PSALM TRFLAT Confirmation Report on NGCP's Compliance with the Concession Agreement for CY 2017

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
CA PROVISIONS NOT COMPLIED BY NGCP			
Section 2.01 Concession in CA	As of December 31, 2017, there were 1,114 uncorrected observations and it was observed that as of November 30, 2018, there were still 301 open observations.	There are only 569 items of which only 173 items tagged as open, contrary to the statement that there were 1,114 uncorrected observations as of 31 December 2017, and 301 open observations as on 30 November 2018. Our records show that as of 01 March 2019, we have been able to further decrease the number of open items to 96. Moreover, we have provided Transco with our compliance plans and programs with regard to the remaining open items.	TRFLAT maintains its position that there were 1,114 uncorrected observations as of 31 December 2017.
On cited incidents	2. Explosion of 115kV Phase C Current Transformer (CT) Metering at Tayabas SS on 10 April 2017	Explosion of the current transformer can be attributed to internal fault where excessive pressure was generated inside, causing the core and winding to be separated from its porcelain support insulator. Insulation failure happened only during the separation of the CT head and its porcelain support insulator. Based on electrical test result on 11 October 2015, the insulation and accuracy test were satisfactory. Note: Per PGC 2016 Section 9.2.5.2.1, Insulation Integrity Test shall be done at least once every five (5) years.	The TRFLAT report merely made a statement of fact that said incidents happened.
	3. Explosion of 115kV Phase B Lightning Arrester (LA) at Currimao S/S on 12 July 2017	There were no signs of external flashover on the busted LA. The busted LA is designed with a pressure relief diaphragm. This pressure relief diaphragm burst during the terminal overload of the LA preventing the breaking of the porcelain housing. Possible root cause of the failure of LA is dielectric/insulation breakdown, which may due to moisture ingress and partial discharges inside the LA, which in turn might have started during the onset of rainy season. Previous test results prior to equipment failure for Insulation Power Factor Testing and Leakage Current Monitoring (3 rd Harmonic) did not indicate any abnormality of the LA, while recent IR Thermal scanning conducted also did not show any abnormal heating. The equipment was scheduled for maintenance during the shutdown of Bantay-Currimao 115V line under the Grid Operation and Maintenance Program (GOMP) on May 26, 2017. However, it was deferred and was moved to October 25, 2017 due to system constraint. Note: Per NGCP Standards Maintenance and Test Volume 1	

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
		<i>(Chapter 10 Surge Arrester or Lightning Arrester), the frequency of testing for Insulation Power Factor of LA is once every three (3) years.</i>	
	4. Explosion of Power Circuit Breaker (PCB) 7-02CB24PNT during isolation process at Panit-an S/S On 26 February 2017	<p>Last 26 February 2017, Panit-an-Nabas 138kV line was de-energized to facilitate planned P&E Upgrading of Transmission Project per approved shutdown, PCB's 7-D2CBDBPNT and 7-02CB24PNT were opened at Panit-an-Nabas line. After the opening 7-02CB24PNT, its phase B exploded.</p> <p>The PCB 7-02CB24PNT opened but the arc at Phase B was not quenched because the SF6 gas remaining was not sufficient. This led to the buildup of heat pressure inside the pole until it failed.</p> <p>The one-way valve at the filling port of phase B pole did not open. The phase B pole was isolated from the common SF6 gas piping system. Development of SF6 gas pressure at the phase B pole could not therefore be monitored and protected by the alarm and lock out of the common SF6 pressure gauge with density switch.</p> <p>The fittings of the SF6 gas pipe to the filling port of Phase B pole were not aligned properly causing it not to be fully threaded in of fitted in, which is a possible defect during installation.</p> <p>The test conducted on 28 September 2016 on 7-02CB24PNT for Contact Resistance, Insulation Power Factor, Insulation Resistance, SF6 Gas Analysis and Timing Analysis, resulted in satisfactory rating.</p>	
	5. Explosion of PCB 801CB08DAA at Daanbantayan S/S on May 3, 2017	<p>On 3 May 2017 at 1119H, the 30MVAR Shunt Reactor no. 1 (8XR01DAA) was about to be denergized as required by the system. The associated PCB 8-01CB24DAA was first opened then followed by the PCB-8-01CB08DAA. At 1122H, the pole B of 8-01CB08DAA suddenly exploded.</p> <p>The root cause of the outage was the wear and tear of Phase B contact fingers due to frequent switching operations and old age, which affected the motion of the moving contact tube with respect to the blast piston. This resulted to insufficient SF6 gas pressure build up inside the blast cylinder which is required for arc-quenching. Instead, the arc persisted and affected the dielectric strength of the SF6, resulting to the explosion of the interrupting chamber. All test results for 8-01CB08DAA conducted on 15 February 2016 was posted at satisfactory rating.</p>	

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
	<p>6. Explosion of Phase A CT 7-A05CT09VLN at Villanueva S/S on December 12, 2017</p>	<p>Note: Per NGCP Standards Maintenance and Test Volume 1 (Chapter 3 High Voltage Power Circuit Breaker) the frequency of test for Insulation Resistance, Contact Resistance, Insulation Power Factor and Timing Test of PCB is once every three (3) years for equipment that posted satisfactory rating in previous testing. Notwithstanding this, 8-01CB08DAA was tested on 7 December 2017.</p> <p>CT 7A-05CT09VLN did not explode. Flashover was observed on the CT during the inspection conducted after the outage incident of Villanueva-FDCMPC 138kV line and Villanueva S/S 138 kV Bus B.</p> <p>Test was conducted on the CT after its replacement on 23 December 2017 and yielded satisfactory results.</p>	
	<p>In CY 2017, no TDP was prepared by NGCP.</p>	<p>The preparation of the TDP is not required on an annual basis. During the 5 October 2018 meeting organized by the DOE, the Composite Team which includes Transco agreed on the Transmission Development Plan (TDP) timeline. Considering the timetable required for the preparation of the TDP updates for 2017 and 2018, the Composite Team decided that the TDP updates for these years need not to be pursued by NGCP. Instead, the actual project developments and actual operational data for these years will form part of the TDP 2019-2040.</p> <p>This was again discussed during the meeting at the DOE on 11 January 2019 in which the NGCP presented the TDP 2019-2040. The DOE confirmed the agreement that there is no need for separate TDP updates for 2017 and 2018, and that the actual project developments and actual operational data in 2017 and 2018 will form part of TDP 2019-2040, in its letters to NGCP dated 15 October 2018 and 14 February 2019.</p>	<p>Transco and PSALM would like to reiterate Section 8 (b) of the EPIRA IRR which clearly states to wit: <i>“Submit an updated TDP for approval to the DOE on a timely basis each year for integration with the PDP and PEP”</i> (emphasis supplied) Thus, Transco and PSALM maintain their position that NGCP did not comply with the preparation of TDP for CY 2017 as required by law.</p>
	<p>NGCP failed to procure schedule and dispatch sufficient Ancillary Services for Luzon, Visayas, and Mindanao Grids.</p>	<p>Ancillary Services (AS) are under the Philippine Grid Code. Thus, the regulatory authority for AS is exercised by the ERC and not by Transco and PSALM.</p> <p>NGCP has not wavered in its efforts to procure AS through newspaper advertising and communication with generation companies. However, since the provision of AS is dependent on the technical capabilities of power plants, not all existing power plants do not have available capacity to offer AS.</p>	<p>Transco and PSALM maintain their position that for CY 2017 assessment, NGCP failed to procure, schedule and dispatch sufficient AS for Luzon, Visayas, Mindanao Grids. Section 9 of the IRR of the EPIRA states, <i>“Transco or its Buyer or Concessionaire shall comply with the provisions of the Grid Code in the process of improving and expanding its transmission facilities in order to maintain the reliability,</i></p>

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
			<i>adequacy, security, stability and integrity of the Grid and adequately serve Electric Power Industry Participants requiring transmission service or Ancillary Services through the Grid.</i>
Section 3.03 Nature of Concession Rights	<p>The team adopts the findings of TRFLAT in 2012.</p> <p>A. NGCP did not file any motion to drop Transco as party defendant in CEB-38817.</p> <p>In addition, on 09 January 2013, Transco was impleaded as a party defendant in an arbitration case docketed as CIAC Case No. 01-2013 entitled, Consortium of Hyundai Engineering and Hyundai Corp. vs. NGCP and Transco in connection with the Contract for the Survey, Design, Supply of Materials/Equipment and Erection/Installation of 230 kV Maramag-Bunawan Transmission Backbone Project which is a PUC contract.</p>	<p>A. This has been addressed in NGCP's letter to PSALM and Transco dated 21 May 2018.</p> <p>Transco was impleaded as an unwilling plaintiff in CEB-38817 as the owner of the transmission assets.</p> <p>In the arbitration case, there was no finding of liability against Transco. The case against NGCP was dropped for not being a party to the arbitration. Subsequently, the case against Transco was likewise dropped for failure to get complete relief.</p>	<p>A. Transco and PSALM reiterate that NGCP should not have impleaded Transco as unwilling co-plaintiff thus, a defendant in CEB-38817.</p> <p>Section 3.03 (c) states that NGCP shall during the Concession Period assume all of the responsibilities as if it is the owner of the transmission assets including Transco and hold it harmless against any liabilities, claims, losses, costs, and expenses including attorney's fees. The act of NGCP in impleading Transco opens the latter to liabilities contrary to the CA.</p> <p>This also applies to the Hyundai case which still has related cases pending in the Court of Appeals and the Supreme Court.</p>
	<p>NGCP provided an Assignability Clause in its 64 contracts however, for the following contracts, the Assignability Clause could not be verified because NGCP failed to provide Transco with copies of said contracts:</p> <ul style="list-style-type: none"> • Antipolo S/S Project • Balsik-San Jose T/L Project • Bataan Reinforcement Project • Calamba S/S Project 	<p>Section 3.03 (h) of the CA has not been violated as NGCP's covered contracts include an assignability clause. NGCP's certification issued in compliance with Section 10.02 of the CA includes a representation of compliance with this provision.</p>	<p>Transco and PSALM reiterate that while NGCP claimed it provided an Assignability Clause in its 64 contracts, Transco has no way of verifying the accuracy of said assertion unless Transco furnished copies of said contracts.</p>

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
	<ul style="list-style-type: none"> • Castillejos-Hermosa Project • Clark-Mabiga T/L Project • Eastern Albay T/L Project (Stage 2) • Hermosa-Florida Blanca T/L Project • Manila (Navotas) S/S Project • Mariveles-Balsik T/L Project • Pagbilao S/S Project • Relocation of Hermosa-Duhat T/L Project • Tuguegarao-Lal-lo T/L Project • Tuy-Dasmarinas T/L Project • Naga (Cebu) S/S Upgrading Project • Agus 2 Switcyard Upgrading Rehab Project • Balo-i-Kauswagan-Aurora T/L Project (Balo-i S/S Project) • Matanao-Toril-Bunawan T/L Project 		
Section 4.02. Project Under Construction	<p>As of November 30, 2018, NGCP failed to complete four (4) out of 42 PUCs as listed below and canceled one (1) project, the Dasmarinas-Rosario TL Project.</p> <p>Transco repeatedly asked NGCP thru letters but received no response on the status of the project (copies of letters earlier provided to NGCP).</p> <p>There are four (4) PUCs that are not yet completed as follows:</p>	<p>NGCP responded to the inquiry of Transco with regard to the Dasmarinas-Rosario Transmission Line Project in a letter dated 27 December 2018 received by Transco on 11 January 2019.</p> <p>Also with regard to:</p> <p>A. Luzon PCB Replacement Project</p> <p>The delay in project completion was due to shutdown schedules. The project requires the shutdown of the San Jose Station. NGCP Management decided to include the remaining scope of work in the North Luzon SS Upgrading Project 1 with target completion in December 2019.</p>	<p>A. Luzon PCB Replacement Project</p> <p>Transco and PSALM would like to stress that the delay of the PCB replacement is exposing the Grid to safety hazards. NGCP is very much aware that the purpose of the replacement of old circuit breakers is</p>

	TRFLAT Assessment		NGCP Response	TRFLAT Confirmation
	Project	Required Completion Date under the CA		to upgrade the capability of the equipment to withstand and effectively break faulted circuits with already high magnitude of short circuit and ground fault current. Given that this project was decided more than 10 years ago, the hazards increases as new power plants are being added in the Grid.
	A. Luzon PCB Replacement Project	April 2010		
	B. Negros V Transmission Project	June 2009	B. Negros V Transmission Project	B. Aurora-Polanco 138 kV Transmission Line Project
	C. Aurora Polanco TL Project	May 2010	The delays was due to Right-of-Way (ROW) issues which resulted to several re-routings and protracted expropriation cases. The completion of one (1) tower site and six (6) in-between spans still awaits the resolution of the expropriation cases. The target completion date of the project is December 2019.	The response of NGCP is noted by Transco and PSALM.
	D. Sulatan Kudarat SS Capacitor Project (Replacement for Tacurong Nuling T/L)	July 2010 (SKM Completion Date) no mentioned target in the CA	C. Aurora-Polanco 138 kV Transmission Line Project	C. Sultan Kudarat Substation Capacitor Project (replacement for Tacurong-Nuling TL)
			The delay in the completion of the transmission line and substation was likewise due to ROW problems at the tower sites, which incurred re-routing of the transmission line segments. The project was completed on 22 July 2018.	The Capacitor Project, as planned more than 10 years ago, was meant to address undervoltage problems in the service area, has been complaining of undervoltages. NGCP-Mindanao-SO is even asking the EC in Mindanao to own their embedded power plants to support the reactive power requirement of the grid (at the expense of the ECs). NGCP must complete this project as soon as possible to help address the power quality problems in Mindanao Grid.
			D. Sultan Kudarat Substation Capacitor Project (replacement for Tacurong-Nuling TL)	
			Due to security conditions in the area, only civil works are being handled by the contractor. The installation and commissioning of the 2 7.5 MVAR, 69 kV capacitor bank at Nuling Substation shall be undertaken by NGCP. The project is targeted to be completed in December 2019.	
Section 4.05 Intellectual Property Rights	NGCP failed to provide copies of its contracts for New Projects that involve the use of intellectual property rights in order for Transco to verify whether these contracts contain provisions on		NGCP has no such construction contract (New Projects) that involves the use of intellectual property rights where the contractor has a title to transfer.	The response of NGCP is noted but the assessment of Transco and PSALM remains.

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
	transferability to Transco as required by Section 5.04 (c) of the CA. NGCP failed to remit the collected CY 2007 CC/RSTC from the Power Customers in the amount of PhP199.29 Million. The amount remains unremitted as of 31 December 2017.	The subject charges and amounts are already in the pending arbitration case among the parties.	Transco and PSALM take note of the response of NGCP.
Section 4.09 Concessionaire Indemnity	Per CY 2012 Assessment, NGCP's act of impleading Transco as a defendant in Civil Case No. CEB-38817 for "Declaratory relief" with Prayer for Cancellation of Tax Declaration" relative to the Real Property Tax Assessment and Collection by the Province of Cebu against NGCP is a clear violation of such provisions of the CA. In the said civil case, the period of assessment and collection involved in the said case pertains to calendar year 2009 until 2011 is well within the Concession Period and therefore the sole accountability of NGCP under the CA. While NGCP clarified that Transco was included in the case as an "unwilling co-plaintiff" to assist NGCP on matter of payment of taxes, although all liabilities shall be the NGCP's responsibility, however, clearly, NGCP is in clear violation of the abovementioned provisions of the CA. The proposed protocol has been commented by Transco and PSALM and has been submitted to NGCP for further comments prior to finalization. To date, Transco and PSALM are awaiting NGCP's final comment on the protocol.	See response on item No. 2 (Section 3.03) above. This has been in NGCP's letter to PSALM and Transco dated 21 May 2018. Transco was impleaded as an unwilling plaintiff in CEB-38817 as the owner of the transmission assets.	Transco and PSALM reiterate that NGCP should not have impleaded Transco as unwilling co-plaintiff thus, a defendant in CEB-38817. Section 3.03 (c) state that NGCP shall during the Concession Period assume all of the responsibilities as if it is the owner of the transmission assets including the obligation to pay taxes and shall defend and indemnify Transco and hold it harmless against any liabilities, claims, losses, costs, and expenses including attorney's fees. The act of NGCP in impleading Transco opens the latter to liabilities contrary to the CA. This also applies to the Hyundai case, which still has related cases pending in the Court of Appeals and the Supreme Court.
Section 5.01 Title	Notwithstanding anything in this Agreement, TRANSCO shall retain title to: “(i) all of Transmission Assets, Intellectual Property Rights, (ii) all assets comprising Project Under Construction or New Projects” “(iii) all easements, ROW or other real estate interests, including Documented Property Rights acquired by the Concessionaire in accordance with Section 5.06 (Documented Property	This has been addressed in NGCP's letter to PSALM and Transco dated 21 May 2018. This is also among Transco's non-monetary claims which were subject to the dispute resolution mechanism under the CA.	Transco and PSALM take note of the response of NGCP.

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
	<p>Rights)".</p> <p>The updating of master list and consolidation of ROW-related documents is a continuing activity all ROW claims and cases are closed and terminated. However, the Titles, ROW Grants, Deed of Sale (DOS)/Compromise Agreement (CA) and Expropriation Cases are all in the name of NGCP instead of Transco as provided for in the CA.</p>		
Section 5.04. New Projects	<p>NGCP failed to provide copies of its contracts for New Projects in order for Transco to verify whether these contracts contain provisions on transferability of title to Transco as required by Section (c) of the CA.</p>	<p>NGCP has no such construction contract (New Projects) that involves the use of intellectual property rights where the contractor has a title to transfer.</p>	<p>Transco and PSALM reiterate that NGCP did not provide copies of its contracts for new projects, thus, there is no basis to verify if these contracts provide for the contractor to transfer title for each new project.</p>
Section 5.07. Adverse Claims	<p>NGCP filed a Complaint for Expropriation (Civil Case No. 4747-2014-C) against National Power Corporation and PSALM pertaining to properties situated in Barangay Bitin, Bay, Laguna in connection with the Lumban EHV-Bay 230 kV Transmission Line Project. Subject properties are declared for taxation purposes under the name of NPC. NGCP's filing of the aforesaid complaint constitutes a clear violation of this provision of the CA.</p> <p>In this regard, the execution of protocol is necessary to avoid involving PSALM or Transco in any case or proceeding in relation to the Transmission Assets. The proposed protocol has been commented by Transco and PSALM and has been submitted to NGCP for further comments prior to finalization.</p>	<p>Section 5.07 does not apply here. NGCP also responded to this finding in its 12 October 2017 letter. This is also among Transco's non-monetary claims which were subject to the dispute resolution mechanism under the CA.</p>	<p>Transco and PSALM maintain their position and reiterate that the execution of protocol soonest is necessary to avoid involving PSALM and Transco in any case or proceeding in relation to the Transmission Assets.</p>
Section 5.08. Retained Obligation	<p>NGCP did not remit the WACC recovery with the profit component. Furthermore, partial remittance has been made by NGCP beyond 15 days.</p>	<p>This claim is already in the pending arbitration case among the parties.</p> <p>We retain the position in our letter dated 11 May 2017 that the obligation of NGCP is to reimburse Transco for expenses approved by the ERC. Thus, the reimbursement of ROW-related charges is limited to ERC-approved amounts only.</p>	<p>Transco and PSALM maintain their position on this matter.</p>
Section 7.0.	7.01 Transmission Development Plan (TDP)	See item C (pages 4 to 5) above.	Same TRFLAT response on item C

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
Concessionaire's Positive Continuing Covenants	In CY 2017, no TDP was prepared by NGCP. Also, no consultation was made with Transco as there was no TDP prepared for CY 2017.	The preparation of the TDP is not required on an annual basis.	(pages 4 to 5) above.
Section 7.04 Permits Licenses and Government Approvals	NGCP failed to obtain and maintain all permits, licenses, and other governmental approvals required in the performance of its obligations. In CY2017, NGCP failed to obtain/maintain Permit to Operate of one (1) genset in Binga Substation (OR-A-16-3609). Also, for the National Telecommunication Commission (NTC) Radio Station License (RSL), NGCP failed to obtain/maintain license for one (1) MW radio station in Olongapo SS facing Hanjin SS (OR-A-17-1954).	NGCP has already acquired the Permit to Operate for one (1) genset in Binga Substation (OR-A-16-3609). We are currently preparing action plans to address all permit, license and other governmental approval concerns.	Transco and PSALM take note of the response of NGCP. NGCP is reminded that it should observe the timeline/validity of the permits, licenses, etc. at all time.
Section 7.08 Applicable Laws	<p>A. RA 9136 (EPIRA) and its IRR</p> <p>Specifically, NGCP did not prepare TDP in 2017 which is a requirement under the IRR of RA 9136 (EPIRA) that it should be prepared annually.</p> <p>B. Philippine Grid Code</p> <p>Under PGC-IBR Summary of Observations for CY 2017, there were 115 records not available at the NGCP's Technical Document Center (TDC).</p>	<p>See item C above.</p> <p>The preparation of the TDP is not required on an annual basis</p> <p>This is a matter subject of the ERC's regulatory authority.</p> <p>The Year 6 Inspection of Books and Records-Philippine Grid Code (IBR-PGC) checklist prepared by PSALM and Transco inspectors for the Year 6-2018 inspection, composed of 643 items from 64 items in the previous year's checklist was based on the new PGC 2016 Ed.</p> <p>NGCP underscores the following:</p> <ol style="list-style-type: none"> i. During the second day of inspection, PSALM/Transco inspectors announced that the requirements for acceptability of documents and records shall include signatures, hard or printed copies of records with the (10) pages or fewer, reference number, and NGCP logo. ii. Some of the findings involve documents and records of customers which pertain to their own compliance with the PGC; 	<p>Same TRFLAT response on pages 4 to 5 above.</p> <p>Transco and PSALM maintain their position that there were records not available at the time of inspection.</p>

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation																																							
	<p>C. Also, NGCP failed to procure, schedule and dispatch sufficient Ancillary Services for Luzon, Visayas, and Mindanao Grids.</p> <p>In Mindanao Grid, there was no Dispatchable Reserve capacities for CY2017. Likewise in Visayas Grid, the deficiency for Contingency Reserve was 98.75%. The table below shows the average deficiencies in the required capacity of ancillary services for CY2017. Given, the Grid was operated at great risk of blackouts.</p> <table border="1" data-bbox="367 863 893 1145"> <thead> <tr> <th rowspan="2">Type of AS</th> <th colspan="3">Average Deficiencies in the Required Capacity of AS for CY2017*</th> </tr> <tr> <th>Luzon</th> <th>Visayas</th> <th>Mindanao</th> </tr> </thead> <tbody> <tr> <td>Regulating Reserve</td> <td>1.57%</td> <td>86.63%</td> <td>0.00%</td> </tr> <tr> <td>Contingency Reserve</td> <td>50.51%</td> <td>98.75</td> <td>18.55%</td> </tr> <tr> <td>Dispatchable Reserve</td> <td>12.88%</td> <td>23.83%</td> <td>100.00%</td> </tr> </tbody> </table> <p>*Based on NGCP's Day-Ahead Ancillary Services Schedule</p> <p>D. RA 9511 – NGCP Franchise</p> <p>NGCP is required to be publicly-listed company and it has to be done within 10 years from the Commencement Date of January 15, 2009. As of December 31, 2017, NGCP is not yet a publicly-</p>	Type of AS	Average Deficiencies in the Required Capacity of AS for CY2017*			Luzon	Visayas	Mindanao	Regulating Reserve	1.57%	86.63%	0.00%	Contingency Reserve	50.51%	98.75	18.55%	Dispatchable Reserve	12.88%	23.83%	100.00%	<p>iii. With regard to NGCP's own PGC compliance, Transco stated that its standards are separate from the PGC;</p> <p>iv. There are no established guidelines with regard to the extent of information that Transco will require; and</p> <p>v. There were varying standards depending on the Transco inspector present during each meeting.</p> <p>Despite the apparent arbitrariness in the PGC inspection, NGCP committed to fulfill its planned actions for Available Incomplete and Unavailable records summarized as follows:</p> <table border="1" data-bbox="929 608 1637 778"> <thead> <tr> <th>Timeline</th> <th>AI</th> <th>U</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>5</td> <td></td> <td>Documents are available</td> </tr> <tr> <td>2019</td> <td>193</td> <td>111</td> <td>To be completed/submitted within 2019</td> </tr> <tr> <td>2020</td> <td>16</td> <td>4</td> <td>Ongoing compliance</td> </tr> <tr> <td>Total</td> <td>214</td> <td>115</td> <td></td> </tr> </tbody> </table> <p>Ancillary Services are under the Philippine Grid Code. Thus, the regulatory authority for Ancillary Services is exercised by the ERC and not by Transco and PSALM.</p>	Timeline	AI	U	Remarks	2018	5		Documents are available	2019	193	111	To be completed/submitted within 2019	2020	16	4	Ongoing compliance	Total	214	115		<p>Same TRFLAT response on item D.</p> <p>NGCP had done nothing to list and conduct an IPO for at least 20% of its shares within the statutory period as required by RA 9511.</p>
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	<p>listed company.</p> <p>E. NGCP likewise violated Section 4 when it filed an expropriation case against SSS for the acquisition of its property in Pasay. The SSS challenged NGCP's authority before the Supreme Court which temporarily enjoined NGCP's acquisition pending resolution of the issue by the court.</p> <p>F. There were forty seven (47) uncorrected observations pertaining to DENR Administrative Order and one (1) observation pertaining to the failure to secure a Genset Permit to Operate (OR-A-16-3609: The 562 kVA stand by Generator Set has expired (March 5, 2015) Permit-to-Operate issued by DENR at Binga Substation, Ref.: RA 8749 "Clean Air Act"</p> <p>G. National Telecommunication Commission (NTC) Policy</p> <p>For permits pertaining to NTC Licenses, NGCP failed to obtain/maintain license for one (1) facility (OR-A-17-1964: MW Radio Station License for Subic (Hanjin) SS is not presented/posted at Olongapo SS.</p> <p>H. ERC Rules and Regulations</p> <p>NGCP has not filed its Business Separation and Unbundling Plan and Accounting and Cost Allocation Manual (ACAM) before the ERC.</p>	<p>This is now the subject of a petition filed by NGCP with the ERC.</p> <p>This is now the subject of cases pending in the courts. NGCP is also among Transco's non-monetary claims which were subject to the dispute resolution mechanism under the CA.</p> <p>As of 01 March 2019, 39 of the 48 items pertaining to DENR Administrative Orders have already been closed, while two (2) have been corrected. See also item 12 above. NGCP continue to address issues with regard to applicable environmental laws and NTC policies.</p> <p>Business Separation and Unbundling Plan and Accounting Cost Allocation Manual concerns have been addressed in NGCP's letter dated 21 May 2018. We reiterate our position that NGCP does not have to submit an application for BSUP and ACAM considering that NGCP is only engaged in the business of providing transmission services.</p>	<p>The right of NGCP to exercise the power of eminent domain was granted to it by RA 9511 which clearly defined its scope by inserting a qualification that said power may only be used to acquire such "private property" as is actually necessary for the realization of the purposes for which the franchise was granted.</p> <p>Transco and PSALM maintain their position on these observations/findings in 2017.</p> <p>Transco and PSALM underscore Rule 10, Section 2 of the EPIRA IRR which states, to wit: "This Rule shall apply to all Electric Power Industry Participants that are currently engaged or will be engaged in any of the following business activities:</p>

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
			<ol style="list-style-type: none"> 1. Power generation; 2. Transmission; 3. Distribution; 4. Supply of Electricity including collection and metering; 5. Related businesses which utilize the generation, transmission, distribution or supply assets for non-electricity related services; and 6. Other electricity related services that may be identified and authorized by the ERC. <p>The ERC may relax or eliminate the unbundling requirements for specified business activities if such activity operates in a competitive market". (emphasis supplied)</p> <p>The ERC promulgated the BSUP in September 2003 and issued Resolution No. 49 series of 2006 to amend the same. The BSUP sets out the rules and principles for the separation of accounts necessary to satisfy the requirements of the EPIRA and the IRR.</p> <p>Considering that NGCP is the lone transmission provider in Luzon, Visayas, and Mindanao grids. Transco and PSALM maintain their position that NGCP should comply with the filing of the BSUP and ACAM with the ERC.</p>

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
Section 8.05 Indebtedness	<p>NGCP still continues to borrow in the absence of acceptability requirement from PSALM.</p> <p>As requested by PSALM in a letter dated 21 March 2018, NGCP submitted the following per its letter dated 16 April 2018 which was received by PSALM on 26 April 2018.</p> <ol style="list-style-type: none"> 1. Certification of NGCP's Actual Debt-Equity Ratic (DER) for year 2017; 2. Indicative terms and conditions of the proposed 2018 borrowings; 3. Statement of Information of Actual Indebtedness in 2016-2017 as to the creditor maturity date interest and relevant terms and conditions; 4. List of new projects that have been approved by ERC and are proposed for financing by 2018 borrowings; 5. Progress Report to date of NGCP's projects which were financed by prior year's borrowings 6. Audited Financial Statements as of December 31, 2017. <p>In a letter dated 17 May 2018, PSALM informed NGCP of the following observations and deficiencies noted in the above-mentioned submission:</p> <ol style="list-style-type: none"> 1. The Debt-Equity ratio was not properly certified and should be certified by the Chief Finance Officer; 2. The information on previous year's borrowings does not contain the details i.e. 	<p>This has already been addressed in NGCP's letter dated 11 July 2018 received by PSALM on 18 July 2018.</p>	<p>Transco and PSALM reiterate their position that NGCP should secure from PSALM a listing of acceptable financial institutions before entering into a loan agreement.</p> <p>It is worthy to note that NGCP made the following f=borrowings in 2017 without informing PSALM:</p> <ol style="list-style-type: none"> a). September 15, 2017 – Philippine National Bank Loan (PhP5B) b) December 5, 2017 – Banco De Oro (PhP10B) <p>As such, PSALM was deprived of the opportunity to signify its acceptance of NGCP's creditor banks on the above loans.</p>

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
	<p>amount of drawdown/s, outstanding balance to date, effective interest rate and maturity date. Copy of the loan agreement was not provided to PSALM;</p> <p>3. The list of projects should have new CAPEX projects only;</p> <p>4. The list includes completed projects:</p> <p>i. Expenditures for the completed projects should have been disclosed to PSALM;</p> <p>ii. Previous years' drawdowns include projects labeled as "on-going construction" which shows inefficiency on NGCP's part aside from the fact that such projects were already approved by the ERC, and it is being recovered through the transmission charges;</p> <p>iii. Several projects already listed as "completed" are included in various drawdown years e.g. Calong-Calong-Toledo-Colon 138 kV TLP; Luzon Substation Expansion Project -2, Luzon Substation Expansion Project-3 to name a few.</p> <p>Based on the above, PSALM deems it unnecessary to issue a credit rating list of financial institutions for purposes of NGCP's 2018 borrowings. It was noted that per submitted Audited Financial Statements for the year ended 2017, NGCP's financial position shows liquidity or awash with cash enough to fund the proposed projects.</p> <p>Hence, incurrance of additional debt has no valid basis to warrant its necessity.</p>		
Section 10.01	NGCP has not fully and completely satisfied this	Contrary to PSALM and Transco's position, Section 10.01 pertains	PSALM and Transco underscore

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
Records	provision. Refer to IBR 2017 Report.	to financial records only.	Section 10.01 Records of the CA which states: “ <i>The Concessionaire shall maintain complete and accurate books and records...including records of the operating and financial history and condition of the Transmission Assets. xxx</i> ”. Thus, it is very clear that the provisions does not refer to financial records only as posited by NGCP.
Section 10.03 Financial Information	NGCP did not provide the requested documents to complete the evaluation of its proposed borrowings despite PSALM letters dated 25 and 27 September 2017 regarding 2017 NGCP borrowings.	NGCP replied to the PSALM letters dated 25 and 27 September 2017 in its letter dated 11 October 2017, citing the following prior submissions in response to their requests: <ul style="list-style-type: none"> i. Letter on 2017 NGCP Borrowings dated 15 September 2017 ii. Audited Financial Statements as of 31 December 2016 and 2015; and iii. Letter of new financial institutions for confirmation by PSALM dated 04 August 2017. 	NGCP did not provide the requested documents to PSALM. The NGCP letter dated 11 October 2017 did not provide the supporting documents as required by PSALM.
Section 10.05 Regulatory Filings	NGCP failed to provide PSALM and Transco with copies of all notices it receives from ERC and all written applications, pleadings, reports, and other documents that it files with the ERC at the same time as they are filed. While NGCP provided Transco/PSALM copies of pleadings/filings before the ERC (but at times, no attachments were included) it has also not furnished Transco documents/correspondences with ERC related to its forthcoming applications/filings.	NGCP has complied with Section 10.05, and TRANCO and PSALM have to specify what documents they were not furnished. PSALM and Transco concede that NGCP provides them with copies of its applications and petitions filed with the ERC. Section 10.05, by the use of the word “file” in relation to the obligation to provide PSALM and Transco with copies of NGCP’s regulatory filings, limited the obligation only to those documents that pertain to applications and petitions in relation to a case, and subsequent documents, such as comments, compliances, motions, and the like, all of which are part of a case file with a specific case number. Hence, the phrase “other documents” cannot be loosely construed as to include correspondence “related to forthcoming applications/filings and other related matter”.	Transco and PSALM maintain their position.
CA PROVISIONS PARTIALLY COMPLIED WITH BY NGCP			
Section 2.01 Concession	A. All 365 customers of NGCP have Transmission Service Agreements. However, during the 2017 IBR, NGCP confirmed that only Schedule A has been completed and attached to the 365 TSAs.	The requirements under Section 2.01 (3) is for NGCP to enter into Connection Agreements with Transmission Customers, which it did. Any perceived deficiency is a regulatory matter under the authority of the ERC, and not Transco. Further, during the closeout meeting with the inspectors in	Transco/PSALM reiterate that NGCP failed to complete the required Schedules as attachment to the Transmission Service Agreements for 2017. Only Schedule “A” was available and the rest of the schedules

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
	Thus, NGCP failed to complete the required Schedules.	November 2018, the open items were already resolved and tagged as "Closed". Inspectors were also informed that in Q1 of 2018, NGCP conducted another round of fora for all its customers focusing only on the TSA schedules.	(Schedules B to R) are pending compliance.
	B. All the collected UC were remitted to PSALM in 2017. However, NGCP failed to reconfigure its billing system as of 31 December 2017 segregating the UC-ME for NPC and UC-ME for Renewable Energy Developers Cash Incentive.	The reconfiguration of the Billing System of NGCP for the segregation of UC-ME SPUG and UC-ME REDCI was implemented starting with the August 2018 Billing Month. Prior to this billing month, the UC Remittance Report provided by NGCP Finance to PSALM already segregated the UC-ME SPUG and UC-ME REDCI.	NGCP was still not substantially compliant for the 2017 assessment.
Section 5.06 Documented Property Rights (DPR)	<p><i>"NGCP at its own cost shall:</i></p> <p><i>i. Commence and pursue eminent domain proceedings to acquire DPR in its own name or under TRANSCO's name.</i></p> <p>A. While NGCP is allowed to commence and pursue eminent domain proceedings for the purpose of acquiring DPR since the same is granted to it by its franchise. Section 5.06 must be read in conjunction with 5.01 which explicitly and unequivocally states that notwithstanding anything in the CA (which includes 5.06). TRANSCO shall retain title to all Transmission Assets, Intellectual Property Rights, all assets comprising the PUC or New Projects, and all easements, rights of way or other real estate interests, including DPR acquired by the Concessionaire under Section 5.06. Notice the language used in Section 5.01 as all encompassing and provided not even a single exception or condition that would support NGCP's claim of title to DPR.</p>	<p>This has been addressed in the letters dated 07 March 2017 and 21 May 2018. We reiterate that the NGCP Franchise allows NGCP to acquire property and property rights through the exercise of the right of eminent domain, not as an agent of Transco but in its own name. Accordingly, properties and easements acquired by NGCP in its own name are likewise registered in its own name. The obligation to transfer the tile to the properties that NGCP had acquired in the exercise of its right of eminent domain arises only at the end of the Concession Period when PSALM shall take over NGCP's business as a going concern.</p>	<p>Transco and PSALM maintain their position. DPR is included in the coverage of Section 5.01 of the CA which provides that Transco shall retain title to all of the transmission assets including Documented Property Rights acquired by NGCP during the Concession Period.</p>
	B. ERC Rules and regulations such as RTWR, OATS, ASPP, AS-CRM	NGCP continues to comply with all applicable regulations.	Same TRFLAT comment on the issue under item H.
Section 10.03 Financial	A. CY 2009-2016 – Submission of Reports to:	PSALM and Transco did not require NGCP to submit the annual reports to Congress in their inspection checklists from 2009 to	Transco and PSALM reiterate that despite NGCP's submission to

Information	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
<p><i>“NGCP shall deliver to PSALM the Financial Statements that Applicable Law requires it to prepare as well as the financial statements required by the appropriate Governmental Authority including the Congress of the Republic of the Philippines, ERC, BIR, and the SEC to be submitted.</i></p>	<p>1. Congress and Senate</p> <p>For CYs 2009-2015, still only NGCP’s transmittal letters of its submissions of annual reports to the Houses of Congress of the Philippines are available in the TDCs and no attached reports are kept in the TDCs.</p> <p>CY 2016 full copy of reports is now available at the TDCs.</p> <p>2. Energy Regulatory Commission</p> <p>CYs 2009 to 2013 – only copies of proofs of NGCP’s submissions (transmittal letters) to the ERC in accordance with the Philippine Grid Code (PGC) are provided in the TDC.</p>	<p>2015. The inspection checklists and/or Close Out of Previous Observations Report for said years signed by the PSALM and Transco inspectors with NGCP’s conformity show that this item had been complied with and made available at the TDCs. It was only during the IBR for 2014 and 2015 that PSALM and Transco noted that only the transmittal letters were available in the TDCs. Nonetheless, this checklist item was indicated as “Available”. In the 2016 IBR, PSALM and Transco started to require NGCP to make available in the TDCs copies of the full reports as received by both Houses of Congress. NGCP has complied.</p>	<p>appropriate Governmental, the requirement under Section 10.03 of CA is for NGCP to deliver to PSALM the financial statements that Applicable Law requires.</p> <p>Section 10.03 Financial Information of the CA specifically provides that <i>“Throughout the Concession Period, the Concessionaire shall deliver to PSALM the Financial Statements that Applicable Laws requires it to prepare as well as the financial statements required by the appropriate Governmental Authority including the Congress of the Republic of the Philippines, ERC, IBR, and the SEC to be submitted..”</i></p>
	<p>B. CYs 2014-2015- no proof of submission of the Annual Audited FS.</p> <p>Note: As per NGCP response dated 11 May 2017 <i>“The provision in the Philippines Grid Code 2001 Edition requiring the Grid Owner/System Operator to submit to the ERC true copies of the audited balance sheet and financial statement was not included/provided in the PGC Amendment No. 1 dated 02 April 2017. Hence, NGCP is not required to submit to ERC the Annual Audited FS CY 2014 to 2015. However, with the PGC 2016 Edition, NGCP is now required to submit to ERC the audited balance sheet and FS starting 2016.”</i></p>	<p>Similarly, as shown in the inspection checklists from 2009 to 2013, PSALM and Transco did not require NGCP to make available in the TDCs copies of the Annual Audited Financial Statement as submitted to the ERC. The inspection checklists and/or Close Out Previous Observations Report for said years signed by the PSALM and Transco Inspectors with NGCP’s conformity show that had been complied with and made available at the TDCs. It should be noted that copies of the Annual AFS are submitted at the TDCs as a separate checklist item, hence, PSALM and Transco may refer to the same. See also our letter date 11 May 2017.</p>	<p>Throughout the inspection of books and records, Transco and PSALM have been continuously providing the Report on the Observations with the comment that <i>“only proofs of submissions to Congress and ERC (without attachments) are available at the TDC”</i> for NGCP’s compliance and appropriate action. The Observations have been conveyed to NGCP thru the IBR checklists specifically under the comments section of the Inspection of Summary of Reports and Close-Out of observation Reports.</p> <p>In the latest IBR conducted in 2018, full copy of reports to Congress for CY 2016 were provided, but still, only copies of NGCP’s proof of submissions to the Congress for the years 2009 to 2015.</p>

	TRFLAT Assessment	NGCP Response	TRFLAT Confirmation
			<p>Since these are considered part of permanent records, Transco and PSALM will still assess the status of these items in the upcoming IBR.</p>
	<p>C. CY 2016 – For re-inspection.</p> <p>The semestral calculations of Debt-Equity (DE) Ratio and Debt Service Coverage Ratio (DSCR) for CY 2016 are in soft copies only, no printed file and the 2nd semester is unsigned.</p>	<p>For 2016, copies of the signed annual calculation of the Debt to Equity Ratio (DER) and Debt Service Coverage Ratio (DSCR) were made available at the TDCs. In reply to the IBR 2016 joint assessment, NGCP requested PSALM and Transco to clarify the matter as this has been assessed by the inspectors as “Available” at TDC 1 without issue, but with remark for TDC 2 that only soft copies are available and that the 2nd semester is unsigned. This, considering that NGCP submitted an annual calculation for 2016 and not semestral calculations. Notably, PSALM and Transco only required NGCP to submit the semestral calculations during the IBR for 2017.</p>	<p>Based on the checklist, remarks indeed pertain to TDC 2. Thus, NGCP must ensure that the documents available in TDC 1 are also available in TDC 2. Nonetheless, since these are considered part of the permanent records, these would still be among the items to be checked in the upcoming IBR. Notably, the 2018 semestral calculations should also be signed.</p>

Annex 2. TransCo Inspection Report Based on Concession Agreement (May 2019 to October 2019)

No.	Inspection Report No.	Location	Name of Project/ Transmission Facilities	Inspection Date
LUZON				
1	NLR-D6-19-27	District 6 North Luzon	Mexico, Cabanatuan, San Rafael & Concepcion S/S, Pantabangan HEP Switchyard, Pantabangan LES and Fatima Repeater Station	May 6-10, 2019
2	SLR-D1-19-28	District 1 South Luzon	Dasmariñas, Biñan, Muntinlupa, Las Piñas, Batangas, Salong, Ternate, Calaca & Rosario S/S, Bolbok and Taal Load End Substation	May 6-10, 2019
3	NLR-D1-19-29	District 1 North Luzon	Bauang, Bacnotan, San Esteban, Bantay, Currimao, and Laoag Substations	May 27-31, 2019
4	NLR-RS-19-33	North Luzon	Ramon (Magat), Enrile (Roma Norte), and Baligatan (Iligan) Repeater Stations	June 3-7, 2019
5	NLR-D2-19-34	District 2 North Luzon	La Trinidad, Ambuklao, Binga HEP, and Iitogon Substation	June 3-7, 2019
6	SLR-MB-19-40	South Luzon	South Luzon MTD-B Office in Daraga, Albay	July 1-5, 2019
7	NLR-D3-19-42	District 3 North Luzon	San Manuel, Nagsaag, Bolo, Labrador, and Balingueo Substations	July 1-5, 2019
8	SLR-RS-19-43	South Luzon	Pinamalayan, Calapan and San Aquilino Repeater Stations	July 1-5, 2019
9	NLR-AC-19-44	North Luzon	North Luzon ACC, Tuba and Ampicao Repeater Stations	July 15-19, 2019
10	NLR-D6-19-48	District 6 North Luzon	Hermosa-Mexico-San Rafael Transmission Line	July 15-19, 2019
11	NLR-D7-19-49	District 7 North Luzon	San Jose, Malaya, Quezon, Doña Imelda, Taytay Substations, Angat & San Mateo Repeater Stations, and Angat Power House	July 29-August 2, 2019
12	NLR-NC-19-53	North Luzon	National Control Center (NCC) and Luzon System Operation ((LSO)	August 27-September 2, 2019
13	SLR-MA-19-56	South Luzon	Southern Tagalog Area and Laguna-Quezon Area	September 9-13, 2019
14	SLR-D2-19-58	District 2 South Luzon	Tayabas, Gumaca, Lumban, San Juan, Caliraya and Bay Substations, Famy, Calamba, Los Baños, Pitogo, Mulanay and Lopez LES and Maunong RS	September 23-27, 2019
15	NLR-D5-19-59	District 5 North Luzon	Hermosa, Limay, Olongapo, Botolan, SBMA & Subic Substations and BCCPP Switching Station	October 7-11, 2019
VISAYAS				
1	VIS-D1-19-30	District 1 Visayas	Ormoc, Maasin, Tabango, Babatngon, Calbayog, Paranas (Wright) & Sta. Rita (Bagolibas) S/S, Guadalupe CTS, Hilongos PCB Station, Albuera Electrode Station, Tolosa Capacitor Bank Station and Ormoc HVDC Station	May 27-31, 2019
2	VIS-MB-19-35	Visayas	Visayas MTD-B Office in Bacolod City, Negros Occidental	June 3-7, 2019
3	VIS-AC-19-36	Visayas	Panay Area Control Center, Jordan Repeater Station and Buenavista Substation	June 17-21, 2019
4	VIS-D2-19-45	District 2 Visayas	Corella, Tagbilaran, & Ubay Substations, West Poblacion & Trinidad Capacitor Bank Stations, Garcia Hernandez Load End Station and C.P. Garcia Cable Terminal Station	July 15-19, 2019
5	VIS-D4-19-50	District 4 Visayas	Sta. Barbara, Barotac Viejo, Dingle, Panit-an, Nabas, Concepcion & San Jose Substations, Barotac Viejo Cable Terminal Station and Boracay Load-End Station	July 29-August 2, 2019
6	VIS-D2-19-52	District 2 Visayas	Cebu, Carcon, Naga, Colon, Quiot, Toledo, Calong-calong, Compostela & Daanbantayan Substations, Lapu-Lapu & Mactan GIS, Danao Load End Substation, and Samboan CTS	August 12-16, 2019
7	VIS-RS-19-54	Visayas	Ivisan and Tangalan Repeater Stations	September 9-13, 2019
8	VIS-D3-19-63	District 3 Visayas	Bacolod, Cadiz, Kabankalan, Sibalay, Amlan, Mabinay Substations, Victorias Capacitor Bank Station and E. B. Magalona, Pondol Cable Terminal Stations	
MINDANAO				
1	MIN-D5-19-26	District 5 Mindanao	Davao-Toril-Matanao-Kidapawan 138kV T/L	May 6-10, 2019
2	MIN-MA-19-31	Mindanao	Mindanao MTD-A Office in Iligan City, Lanao del Norte	May 27-31, 2019

No.	Inspection Report No.	Location	Name of Project/ Transmission Facilities	Inspection Date
3	MIN-RC-19-32	Mindanao	Mindanao System Operations and Cugman Repeater Station	June 3-7, 2019
4	MIN-D4-19-37	District 4 Mindanao	Butuan, Nasipit, Bislig, San Francisco and Placer Substations	June 17-21, 2019
5	MIN-RS-19-41	Mindanao	North Western Mindanao Repeater Stations (Dinas, Ozamiz, and Lopez Jaena)	July 1-5, 2019
6	MIN-D2-19-46	District 2 Mindanao	Iligan, Balo-i, Agus 6/7 & Lugait Substations and Agus 5 HEP & Switchyard	July 15-19, 2019
7	MIN-AC-19-47	Mindanao	General Santos Area Control Center, Malalag, Calumpang, and Tupi Repeater Stations	July 15-19, 2019
8	MIN-D1-19-51	District 1 Mindanao	Pitogo, Zamboanga, Naga & Aurora Substations and Tumaga (Lunzuran) Capacitor Bank Station	August 12-16, 2019
9	MIN-D3-19-55	District 3 Mindanao	Cagayan De Oro, Opol, Tagoloan, Jasaan, Villanueva Maramag and Kibawe Substations	September 9-13, 2019
10	MIN-D5-19-57	District 5 Mindanao	Davao, Culaman, Matanao, Nabunturan, Maco, Bunawan, and Toril Substations	September 23-27, 2019
11	MIN-AC-19-60	Mindanao	Zamboanga Area Control Center	October 7-11, 2019
12	MIN-AC-19-61	Mindanao	Butuan ACC Mainit Repeater Station	October 7-11, 2019
13	MIN-RS-19-62	Mindanao	Western Visayas Repeater Stations (Carmen , San Isidro & Salvacion)	October 21-25, 2019
14	MIN-MB-19-64	Mindanao	Mindanao O&M MTD-B	October 21-25, 2019

Source: *Transco*

Annex 3.. NGCP Related Petitions to ERC as of October 2019

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUND FOR FILING	STATUS
ERC Case No. 2019-086RC/October 29, 2019	Interim Maximum Annual Revenue for CY 2020 with Prayer for the Urgent Issuance of Provisional Authority	<ul style="list-style-type: none"> • Immediately ISSUE an Order provisionally approving the collection of the iMAR2020 in the amount of PhP58,846Mn effective January 2020 billing month (December 26, 2019 to January 25, 2020); and • APPROVE, after notice and hearing, the authority to collect the iMAR2020 in the amount of PhP58,846Mn. 	Awaiting ERC Order/Notice of Hearing
ERC Case No. 2019-077RC/ October 15, 2019	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and King Energy Generation, Inc. (Misamis Occidental Power Plant 2 – Panaon).	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the subject ASPA executed on 3 July 2019; and • APPROVE, after notice and hearing, the subject ASPA. 	Awaiting ERC Order/Notice of Hearing
ERC Case No. 2019-076RC/ October 15, 2019	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and King Energy Generation, Inc. (Misamis Occidental Power Plant 3 - Jimenez).	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the subject ASPA executed on 3 July 2019; and • APPROVE, after notice and hearing, the subject ASPA. 	Awaiting ERC Order/Notice of Hearing
ERC Case No. 2019-071 RC/ September 13, 2019	Application for the Approval of Force Majeure Event Regulated FM Pass - Through for Typhoon "Ompong" in Luzon, in Accordance with the Rules for Setting Transmission	<ul style="list-style-type: none"> • DECLARE the occurrence of Typhoon "Ompong" in Luzon which resulted in an increase in costs incurred by the NGCP to restore, repair and rehabilitate various affected transmission assets and facilities in the NGCP North Luzon Operations and Maintenance District 4 and NGCP North Luzon System Operations, as a Force Majeure Event (FME); • Immediately GRANT Provisional Authority to implement and bill the following FM Pass-Through Amounts to Luzon customers starting the billing month of November 2019 to 2020, or until such time that the amounts incurred are fully recovered; • APPROVE the FME CAPEX and OPEX amounting to Nineteen Million Six Hundred Forty-Four Thousand Seven Hundred Fifty-Six Pesos and Eighty-Five Centavos (Php19,644,756.85) incurred by NGCP for the repair, restoration and rehabilitation of the damaged transmission assets and facilities due to FME Typhoon "Ompong"; • APPROVE and ALLOW the recovery of the 	As per ERC order dated 21 September 2019 The Commission set the jurisdictional requirements, expository presentation, pre-trial and evidentiary hearing on 06 November 2019 (Wed) at 2:00 PM at the 15th floor, ERC Pasig City.

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUNDS FOR FILING	STATUS
		<p>Net Fixed Asset Value of the transmission assets and facilities damaged by the FME Typhoon "Ompong" amounting to Fourteen Million Two Hundred Fifty Three Thousand Three Hundred Seventy Nine Pesos and Sixteen Centavos (Php14,253,379.16), given that it would have been fully recovered by NGCP if these transmission assets and facilities have not been damaged or destroyed by the said FME;</p> <ul style="list-style-type: none"> • APPROVE, after due notice and hearing, the proposed FM Pass-Through Amounts to be collected from the Luzon customers starting November 2019 billing month to December 2020, or until such time that the amounts incurred are fully recovered; and • EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation. 	
ERC Case No. 2019-061/ August 16, 2019	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SPC Island Power Corporation.	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the subject ASPA executed on 3 July 2019; and • APPROVE, after notice and hearing, the subject ASPA. 	Pursuant to ERC order dated 24 September 2019 the Commission conducted on hearing on 23 October 2019 at Seda Atria, Pison Avenue, Atria Park District San Rafael, Mandurriao Iloilo City
ERC Case No. 2019-055RC/ July 19, 2019	Application for the Approval of Force Majeure Event Regulated FM Pass - Through for Flood Due to Enhanced Southwest Monsoon Rain Caused by Tropical Depression "Josie" in Luzon, in Accordance with the Rules for Setting Transmission Wheeling Rates, with Prayer for Provisional Authority	<ul style="list-style-type: none"> • DECLARE the flood due to enhanced southwest monsoon rain caused by tropical depression "Josie" in Luzon as Force Majeure Events (FME); • Immediately GRANT Provisional Authority to implement and bill the following FM Pass-Through Amounts to Luzon customers starting the billing month of October 2019 to December 2020, or until such time that the amount incurred is fully recovered; • APPROVE the FME CAPEX/OPEX amounting to Ten Million Six Hundred Twenty-Six Thousand Eighty-Five Pesos and Seventy-One Centavos (Php10,626,085.71) incurred by NGCP for the repair, restoration, and rehabilitation of the damage transmission assets and facilities due FME flood due to enhanced southwest monsoon rain caused by tropical depression "Josie"; • APPROVE and ALLOW the recovery of the 	Awaiting ERC Order/Notice of Hearing

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUND FOR FILING	STATUS
		<p>Net Fixed Asset Value of the transmission assets and facilities damaged by the FME southwest monsoon rains and tropical depression "Josie" amounting to Twenty Thousand Pesos (Php20,000.00), given that it would have been fully recovered by NGCP if these transmission assets and other related facilities have not been damaged or destroyed by the said FME;</p> <ul style="list-style-type: none"> • APPROVE, after due notice and hearing, the proposed FM Pass Through Amount to be collected from the Luzon customers starting October 2019 billing month to December 2020 or until such time that the amount incurred is fully recovered; and • EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation. 	
ERC Case No. 2019-016 RC/ February 22, 2019	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SN Aboitiz Power Magat Inc.	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the subject ASPA executed on 14 January 2019; and • APPROVE, after notice and hearing, the subject ASPA. 	As per ERC Order dated 4 April 2019, the Commission set hearing for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on 22 May 2019, 10:00 AM, at the Mango Suites City Road, Brgy. Calao East, Santiago City.
ERC Case No. 2019-015 RC/ February 22, 2019	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SN Aboitiz Power - Benguet Inc. (for Binga).	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the subject ASPA executed on 14 January 2019; and • APPROVE, after notice and hearing, the subject ASPA. 	As per ERC Order dated 12 March 2019, the Commission set hearing for determination of compliance with the jurisdictional requirements, expository Presentation, pre-trial conference, and presentation of evidence on 29 May 2019 (Wednesday), at ten o'clock in the morning (02:00 P.M.), at Azalea Residences 7 Leonard Wood Road, Baguio City.
ERC Case No. 2019-014 RC/ February 22, 2019	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SN Aboitiz Power - Benguet Inc. (for Ambuklao).	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the subject ASPA executed on 14 January 2019; and • APPROVE, after notice and hearing, the subject ASPA. 	As per ERC Order dated 12 March 2019, the Commission set hearing for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on 29 May 2019 (Wednesday), at ten o'clock in the morning (10:00 A.M.), at Azalea Residences 7 Leonard Wood Road, Baguio City.

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUND FOR FILING	STATUS
ERC Case No. 2019-011RC/ February 14, 2019	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and SPC Power Corporation.	<ul style="list-style-type: none"> Immediately ISSUE a provisional authority to implement the subject ASPA executed on 18 December 2018; and APPROVE, after notice and hearing, the subject ASPA. 	Awaiting ERC Order/Notice of hearing
ERC Case No. 2018-120RC/ December 19, 2018	In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines (NGCP) and SPC Island Power Corporation (SIPC) (Filed December 19, 2018)	<ul style="list-style-type: none"> Immediately ISSUE a provisional authority to implement the subject ASPA executed on 20 November 2018; and APPROVE, after notice and hearing, the subject ASPA. 	Provisionally Approved per ERC Order dated 26 February 2019.
ERC Case No. 2018-117RC/ December 19, 2018	Application of the National Grid Corporation of the Philippines for the Approval of Force Majeure (FM) Event Regulated FM Pass Through for Severe Tropical Storm Urduja in the Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in the Visayas and Mindanao, and Flash Flood in Mindanao in Accordance with the Rules for Setting Transmission Wheeling Rates	<ul style="list-style-type: none"> DECLARE Severe Tropical Storm Urduja in the Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in the Visayas and Mindanao, and flash flood in Mindanao as Force Majeure Events (FME); Immediately GRANT PROVISIONAL APPROVAL to implement and bill the following FM Pass-Through Amounts to Visayas and Mindanao customers starting January 2019 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered; APPROVE the FME CAPEX/OPEX amounting to Sixty-Three Million Eight Hundred Seventy Thousand Seven Hundred Eighty-Six Pesos and 10/100 (PhP63,870,786.10) incurred by NGCP for the repair, restoration, and rehabilitation of the damaged transmission assets and other related facilities due to Severe Tropical Storm Urduja in the Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in the Visayas and Mindanao, and flash flood in Mindanao; APPROVE, after due notice and hearing, the proposed FM Pass Through Amount to be collected from the Visayas and Mindanao customers starting January 2019 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered; APPROVE and ALLOW the recovery of the 	<p>Pursuant to ERC Order dated 16 January 2019 the Commission conducted hearings on the following dates and venue:</p> <ul style="list-style-type: none"> Feb. 21, 2019 – Jurisdictional and Expository Presentation at ERC Pasig Feb. 28, 2019 – Expository and Pre-Trial Conference at ERC Visayas Field Office. March 07, 2019 – Pre-Trial Conference and Evidentiary at ERC Mindanao Field Office in Davao.

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUND FOR FILING	STATUS
		<p>Net Fixed Asset Value of the transmission assets and other related facilities damaged by Severe Tropical Storm Urduja in the Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in the Visayas and Mindanao, and flash flood in Mindanao, amounting to Two Million Fourteen Thousand Five Hundred Sixty-Five and 43/100 (PhP2,014,565.43). given that it would have been fully recovered by NGCP if these transmission assets and other related facilities have not been damaged or destroyed by the Subject Force Majeure Events; and</p> <ul style="list-style-type: none"> EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation. 	
ERC Case No. 2018-109RC/November 16, 2018	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Toledo Power Company	<ul style="list-style-type: none"> Immediately ISSUE a provisional authority to implement the subject ASPA; and APPROVE, after notice and hearing, the subject ASPA. 	<p>Pursuant to ERC Order dated 7 January 2019, the Commission conducted the hearing on 31 January 2019 at Toledo city Cebu.</p> <p>The hearing was likewise concluded and Co-Applicants were directed to submit its Formal Offer or Evidence.</p>
ERC Case No. 2018-108 RC/ November 9, 2018	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Panay Power Corporation	<ul style="list-style-type: none"> Immediately ISSUE a provisional authority to implement the subject ASPA; and APPROVE, after notice and hearing, the subject ASPA. 	<p>Pursuant to ERC Order dated 7 January 2019, the Commission set the hearing on 7 February 2019 at Boracay Island, Malay Aklan.</p>
ERC Case 2018-100-RC/ October 2, 2018	Application for the Approval of Force Majeure (FM) Event Regulated FM Pass Through for the Bombing /Sabotage Incidents in Mindanao and Luzon, and Lightning/ Thunder Incident	<ul style="list-style-type: none"> DECLARE the Bombing/Sabotage Incidents in Mindanao and Luzon, as well as the Lightning/Thunder Incident in Luzon as Force Majeure Events (FME); GRANT PROVISIONAL APPROVAL to implement and bill the FM Pass-Through Amounts to Mindanao and Luzon customers starting November 2018 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered; APPROVE the FME CAPEX amounting to Three Million Four Hundred Sixteen Thousand Seven Hundred Twelve Pesos and 11/100 (PhP3,416,712.11) incurred by NGCP for the repair, restoration , and rehabilitation of the damaged transmission 	<p>Pursuant to ERC Order dated 15 November 2018 the Commission conducted the following hearings:</p> <ul style="list-style-type: none"> Jan. 15, 2019 -Jurisdictional and Expository Presentation at ERC Pasig Jan. 16, 2019 – Expository presentation at ERC Mindanao Field Office. Jan. 24, 2019 – Pre-Trial Conference and Evidentiary at ERC Pasig. March 12, 2019 - Continuance of evidentiary hearing.

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUNDS FOR FILING	STATUS
		<p>assets and other related facilities due to the Subject Force Majeure Events;</p> <ul style="list-style-type: none"> • APPROVE, after due notice and hearing, the proposed FM PassThrough Amount to be collected from the Mindanao and Luzon customers starting November 2018 billing month to December 2020 billing month or until such time that the amount incurred is fully recovered; • APPROVE and ALLOW the recovery of the Net Fixed Asset Value of the transmission assets and other related facilities damaged by the Subject Force Majeure Events amounting to Four Million Three Hundred Thirty One Thousand Eighty Nine Pesos and 77/100(PhP4,331,089.77) given that it would have been fully recovered by NGCP if these transmission assets and other related facilities have not been damaged or destroyed by the Subject Force Majeure Events; and • EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation. 	
ERC Case No. 2018-094 RC/ September 20, 2018	Application for Approval of the Ancillary Services Procurement Agreement Between the National Grid Corporation of the Philippines and Western Mindanao Power Corporation	<ul style="list-style-type: none"> • Immediately ISSUE a provisional authority to implement the ASPA between NGCP and WMPC; and • APPROVE, after notice and hearing, the ASPA between NGCP and WMPC. 	Provisionally Approved per ERC Order dated 8 January 2019 (docketed April 22, 2019)
ERC Case 2018-073 RC/ July 5, 2018	Application for the approval of Force Majeure Event Regulated FM Pass-Through for Earthquake in Leyte in the Visayas Region In Accordance with the Rules for Setting Transmission Wheeling Rates	<ul style="list-style-type: none"> • DECLARE the earthquake in Leyte in the Visayas region as Force Majeure Events (FME); • Immediately GRANT Provisional Approval to implement and bill the following FM Pass-Through Amounts starting August 2018 billing month to December 2020 for Visayas, or until such time that the amounts incurred are fully recovered; • APPROVE the FME CAPEX and OPEX amounting to One Hundred Fifty-Four Million Eight Hundred Fifty-Three Thousand Forty Pesos and 16/100 (PhP154,853,040.16) incurred by NGCP 	On March 18, 2019, NGCP filed a motion requesting the Commission to set continuance of hearing on April 23, 2019.

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUNDS FOR FILING	STATUS
		<p>for the repair, restoration and rehabilitation of the damaged transmission assets and other related facilities due to FME Earthquake in Leyte;</p> <ul style="list-style-type: none"> • APPROVE, after due notice and hearing, the proposed FM Pass-Through amounts to be collected from the Visayas customers starting August 2018 billing month or until such time that the amounts incurred are fully recovered; • APPROVE and ALLOW the recovery of the Net Fixed Asset Value of the transmission assets and other related facilities damaged by the FME Earthquake in Leyte amounting to Thirty-Nine Million Two Hundred Ninety Thousand Five Hundred Thirty-Four Pesos and 84/100 (PhP39,290,534.84) given that it would have been fully recovered by NGCP if these transmission assets and other related facilities have not been damaged or destroyed by the said FME; and • EXCLUDE the proposed Pass-Through Amounts from the side constraint calculation. 	
ERC Case No. 2017-100 RC/ Oct. 26, 2017	In the Matter of Application for the Approval of the Connection Charges and Residual Subtransmission Charges for Calendar Years 2014 and 2015 on Subtransmission Assets of the National Grid Corporation of the Philippines, with Prayer for Provisional Authority	<ul style="list-style-type: none"> • ISSUE a Provisional Authority to implement and commence the billing and collection of the proposed CY 2015 CC/RSTC beginning the billing month of January 2018; • APPROVE the recovery of the computed CY 2014 and 2015 CC/RSTC provided in this application from all Transmission Customers; • ALLOW NGCP to bill and collect under-recoveries resulting from the difference in the actual collection made by NGCP for CY 2015 and 2016 vis-a-vis the proposed CY2014 and 2015 CC/RSTC which should have been collected for the years CY2014 and 2016; and DIRECT NGCP to refund any over-recovery arising from such difference; 	<p>On February 21, 2019 at ERC Visayas Field Office in Cebu city the Commission conducted the continuance of the evidentiary hearing.</p> <p>On March 14, 2019 (2:00PM), the continuance of the evidentiary hearing was conducted at ERC Pasig City.</p>

DECISION/CASE NO./ DATE OF FILING	NATURE OF PETITION	GROUNDS FOR FILING	STATUS
		<ul style="list-style-type: none"> • ALLOW NGCP to bill and collect the deferred CC/RSTC for disposed sub-transmission assets; and • ALLOW NGCP to impose a 3% Franchise Tax on CC/RSTC to be reflected as a separate line item in the Power Bill. 	
ERC Case No. 2017-093RC/ October 13, 2017	Application for Approval of the Implementation of the Cebu-Bohol 230 kV Interconnection Project and Nabas-Caticlan-Boracay Transmission Project.	<ul style="list-style-type: none"> • Immediately ISSUE a Provisional Authority to implement the Cebu-Bohol 230 kV Interconnection & Nabas-Caticlan-Boracay Transmission Line Projects; and • APPROVE, after notice and hearing, the projects. 	<p>As per ERC Order dated 14 August 2019 the Commission granted TransCo's petition for intervention. Likewise, pre-trial and evidentiary hearings were conducted on September 4, 11 and 18, 2019.</p> <p>On October 2, 2019, intervenor Aklan Electric Cooperative, Inc. (AKELCO) conducted its expository and evidentiary hearing.</p>

Source: Transco

Annex 4. ERC Approved Capital Expenditure Projects

APPLICANT	PROJECT DESCRIPTION	RATIONALE	PROJECT COST (PhP)	DATE FILED/ APPROVED
Zamboanga del Norte Electric Cooperative, Inc. (ZANECO) ERC CASE NO. 2016-198 RC	UNPLANNED CAPITAL EXPENDITURE PROJECTS			15 December 2016/ 7 May 2019
	Design, planning and construction of a new building that will serve as the main office of ZANECO located in Dipolog City, Zamboanga del Norte.	The main building was constructed sometime in 1932, and has deteriorated significantly, its present state poses danger to the transacting public and the member-consumers of ZANECO.	112,432,902.20	
Cabanatuan Electric Corporation (CELCOR) ERC CASE NO. 2015-150 RC	CAPITAL PROJECTS			7 August 2015/ 4 June 2019
	Construction of new 69kV Subtransmission Line (N-1).	The project provides CELCOR with N-1 capability in case of system contingency.	52,689,711.30	
	Project Pole Relocation.	Relocation and rehabilitation of lines and poles affected by the Road Widening Projects of DPWH.	28,065,312.43	
	Installation of Cable Tray along Cesar Vergara Bridge (Primary Line Bridge Attach).	This project covers the laying of power cables at Cesar Vergara bridge complementing the approved capital expenditure for RY 2014.	8,208,240.00	
	Restoration of CELCOR's Century-Old building into a new two-storey office building and construction of wing extension.	The proposed modern building shall be the new face of CELCOR; the new building for employees will provide a convenient, stimulating and dynamic working environment; and the office shall give the clients a new customer service experience.	25,831,605.16	
Tarlac Electric, Inc. (TEI) ERC CASE NO. 2015-052 RC	FORCE MAJEURE PROJECT			25 March 2015 11 June 2019
	Repair and restoration of the damaged facilities including poles, distribution transformers and pole line hardware and metering accessories.	To comply with its duty to restore service within the shortest time possible.	36,775,216.88	
Cagayan II Electric Cooperative, Inc. (CAGELCO II) ERC CASE NO. 2018-015 RC	EMERGENCY CAPITAL EXPENDITURE PROJECT			22 March 2018/ 16 July 2019
	Uprating the Mission substation in Sta. Teresita, Cagayan from 5 MVA to 15 MVA.	To accommodate the sudden load growth in the franchise area, specifically in the municipalities of Baguey, Sta. Teresita, and part of Gonzaga, Cagayan.	47,048,496.46	
Davao Oriental Electric Cooperative, Inc. (DORECO) ERC CASE NO. 2018-104 RC	EMERGENCY CAPITAL EXPENDITURE PROJECTS			25 October 2018/ 16 July 2019
	Purchase, Installation and Commissioning of 5 MVA Power Substation and Accessories for Cateel Substation.	To address the reliability problem on the existing three (3) units 833 kVA (2.5 MVA) power transformer in Cateel Substation.	24,100,000.00	
	Purchase of new 10 MVA Power Transformer for Lupon Substation.	Replaced the damaged 10 MVA Power Transformer of Lupon Substation.	12,550,000.00	

APPLICANT	PROJECT DESCRIPTION	RATIONALE	PROJECT COST (PhP)	DATE FILED/ APPROVED
Visayan Electric Company, Inc. (VECO) ERC CASE NO. 2013-138 RC	FORCE MAJEURE CAPITAL EXPENDITURE PROJECT		24,935,512.00	28 June 2013/ 24 June 2019
	Repair and re-installation of 100 MVA Transformers located at the NGCP Cebu Substation which was heavily damaged by a thunderstorm.	To restore VECO's reliability without incurring rental charges to be charged to the consumers.		
Bohol Light Company, Inc. (BLCI) ERC CASE NO. 2016-132 RC	EMERGENCY CAPITAL EXPENDITURE PROJECT		1,402,200.00	13 May 2016/ 24 June 2019
	Replacement of one (1) unit of SF6 Circuit Breaker at Dampas Substation.	To replace the defective SF6 Circuit Breaker of Dampas Substation located in Tagbilaran City to ensure the safety and stability of power supply.		
First Laguna Electric Cooperative, Inc. (FLECO) ERC CASE NO. 2017-109 RC	EMERGENCY CAPITAL EXPENDITURE PROJECTS		12,881,778.00	1 December 2017/ 24 June 2019
	Removal of the defective 5 MVA power transformer of Lumban 1 Substation and installation of a new 10 MVA power transformer.	To meet the present and future load requirement in the area;		
		To ensure safety in the operation of the facilities;		
	Installation of a 69 kV power circuit breaker at Lumban 1 Substation.	To enhance the reliability of delivery of power to customers being supplied by the substation;		
To have an accessible capacity that could accommodate emergency requirements on transferring loads, from other substations or feeders; and				
Installation of the necessary foundations and steel structures for the Lumban 1 Substation.	To have continuously available distribution services and a substation that will provide reserve capacity margins for future interruption contingency to meet the reliability performance standards.			
	EMERGENCY ELECTRIC CAPITAL EXPENDITURE PROJECT		34,695,085.00	5 October 2018/ 24 June 2019
Installation of new 10 MVA substation in Brgy. Alcala, Ma. Aurora, Aurora and the upgrading of associated controls and protection.	To address the capacity issue of the San Isidro Substation.			
Lanao del Norte Electric Cooperative, Inc. (LANECO) ERC CASE NO. 2015-206 RC	CAPITAL EXPENDITURE PROJECTS		407,908.79	7 December 2015/ 25 June 2019
	Double Circuiting of Backbone Line from Kauswagan Substation to Larapan bridge, Linamon.	The 3-km old distribution line could not withstand the incoming loads and needs rehabilitation by being converted into double-circuits construction wherein revisions on pole height, spanning/distances and construction assemblies must be done.		
	Construction of 69 kV subtransmission line from Curvada, Kapatagan to LANECO Main Office.	To address present and future load requirements as well as to energize the 10 MVA Sagada Substation.		

APPLICANT	PROJECT DESCRIPTION	RATIONALE	PROJECT COST (PhP)	DATE FILED/ APPROVED
Kalinga Apayao Cooperative, Inc. (KAELCO) ERC CASE NO. 2016-018 RC	CAPITAL EXPENDITURE PROGRAM			14 March 2016/ 25 June 2019
	Replacement of Rotten Wood Poles and Cross Arms into Steel Poles/Cross Arms.	To maintain a safe and reliable distribution network.	11,871,366.10	
	Installation of eight (8) units vacuum circuit reclosers with single phase tripping.	To maintain the safety level and proper monitoring of the distribution network.	7,496,200.00	
	Relocation of three-phase primary distribution line situated along the old Pasunglao Bridge, Calanan, Tabuk City.	To maintain a safe and reliable distribution network.	573, 251.51	
	Procurement of new distribution transformers.	To address the increasing demand of KAELCO.	3,168,105.80	
	Procurement of new kWh meters and service drop wires.	To accommodate the new customers of KAELCO.	5,616,484.45	
	Replacement of defective and overloaded distribution transformers.	To accommodate the demand requirement of KAELCO's consumer.	3,800,564.30	
	Replacement of old/defective kWh meters.	To provide accurate measurement of energy consumed by each member-consumers.	3,381,505.80	
	Computerization projects.	To improve service efficiency.	5,565,231.54	
	Procurement of read and bill gadgets and line printers.	To improve service efficiency.	1,962,500.00	
	Construction of multi-purpose hall; concreting of the main office ground and access road towards motorpool, substation and warehouse; and improvement of sub-offices.	To improve service efficiency.	631,236.00	
	Procurement of service vehicles and rehabilitation of Telelec/Terex.	To improve service efficiency.	20,000,000.00	
Procurement of tools and testing equipment.	To improve service efficiency.	644,730.46		
Ilocos Norte Electric Cooperative, Inc. (INEC) ERC CASE NO. 2016-138 RC	EMERGENCY CAPITAL EXPENDITURE PROJECT			9 June 2016/ 25 June 2019
	Replacement of 10 MVA Batac Substation.	To provide continuous supply, efficient, safe and reliable service specifically for customers served by Batac Substation.	122,362.23	
Ilocos Sur Electric Cooperative, Inc. (ISECO) ERC CASE NO. 2016-153 RC	CAPITAL EXPENDITURE PROJECT			5 July 2016/ 25 June 2016
	Replacement of the 10 MVA Power Transformer in Vigan Substation with a brand new 15 MVA transformer.	To address the load capacity build-up in Vigan Substation.	17,144,548.00	
Sorsogon II Electric Cooperative, Inc. (SORECO II)	FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT			7 October 2016/ 25 June 2019
	Replacement of damaged poles, line hardware, damaged kWh meters,	To ensure power restoration in the entire coverage area of SORECO II and delivery of	80,319,456.00	

APPLICANT	PROJECT DESCRIPTION	RATIONALE	PROJECT COST (PhP)	DATE FILED/ APPROVED
ERC CASE NO. 2016-178 RC	transformer and its protection, service drop wires and distribution and office equipment; and replacement of vehicles and repair of devastated buildings and offices.	more reliable and efficient service to its consumers.		
Sorsogon I Electric Cooperative, Inc. (SORECO I) ERC CASE NO. 2016-187 RC	FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT			17 November 2016/ 25 June 2019
	Repair, restoration, replacement and/or rehabilitation of SORECO I's distribution lines, distribution transformers, hardware and accessories, service dropwires, kWh meters, buildings and equipment damaged by Typhoon Nona.	To ensure power restoration in the entire coverage area of SORECO II and delivery of more reliable and efficient service to its consumers; and to restore the safety and protection of SORECO I's distribution system.	60,331,181.48	
Lanao del Norte Electric Cooperative, Inc. (LANECO) ERC CASE NO. 2017-043 RC	EMERGENCY CAPITAL EXPENDITURE PROJECT			18 May 2017/ 25 June 2019
	Procurement and installation of the new 10 MVA Power Transformer to replace the damaged 5 MVA Brush Transformer at Kapatagan Substation.	To immediately restore and provide as safe, adequate, efficient, and reliable electric service to the consumers being served by Kapatagan Substation.	19,297,311.84	
Zamboanga del Norte Electric Cooperative, Inc. (ZANECO) ERC CASE NO. 2017-046 RC	FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT			25 May 2017/ 25 June 2019
	Repair, restoration, replacement and rehabilitation of distribution lines and facilities damaged due to flood brought by the Tail-End of the Cold Front.	To restore electric power in the areas of Katipunan, President Manuel Roxas and Manukan, all within the franchise area of ZANECO.	3,900,436.77	
Zamboanga del Norte Electric Cooperative, Inc. (ZANECO) ERC CASE NO. 2018-020 RC	FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT			3 April 2018/ 30 July 2019
	Replacement of the damaged transformers, distribution poles, conductors, line hardware, and other associated line accessories.	To restore the electricity service and ensure the protection of ZANECO's distribution system.	8,122,871.96	
Biliran Electric Cooperative, Inc. (ZANECO) ERC CASE NO. 2018-052 RC	FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT			29 May 2018/ 30 July 2019
	Repair, restoration, replacement and/or rehabilitation of BILECO's damaged distribution poles, transformers, and line materials caused by the Typhoon Urduja.	To provide a continuous, safe, reliable and efficient electric service to its customers.	20,800,952.93	

Source: ERC