

15th EPIRA Implementation Status Report (Period Covering May 2009 to October 2009)

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Department of Energy

With Contributions from

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Contents

I.	INTRODUCTION	1
II.	DEVELOPMENTS IN THE PRIVATIZATION EFFORT	1
A.	Privatization of Generating Assets	2
1.	Generating Assets included in the Privatization Plan Approved by the Joint Congressional Power Commission	2
2.	Privatization of Decommissioned Assets	3
3.	Privatization of Turned Over NPC-IPP Plants	4
B.	Transfer of NPC- IPP Contracts to IPPA	5
C.	Sale of Sub-Transmission Assets	5
III.	ELECTRICITY RATES	6
A.	NPC Generation Rate	6
B.	Transmission Rates	9
1.	Ancillary Services Procurement Plan	9
2.	Recovery of Cost for the Restoration of Damaged Transmission Facilities	10
C.	Distribution Utilities (DUs) Rates	11
D.	Cross-Subsidy Removal	12
E.	Administration of Universal Charge (UC)	13
1.	Total Collections/Disbursements for UC-ME and UC-EWR	14
2.	UC for Stranded Contract Costs (SCC) and Stranded Debts (SD)	15
F.	Assumption of Loans of Electric Cooperatives	15
G.	Mandatory Rate Reduction	16
H.	Transition Supply Contracts (TSCs)	18
I.	Lifeline Rate Subsidy Program	19
IV.	COMPETITION	20
A.	Wholesale Electricity Spot Market (WESM) Implementation	20
1.	Highlights of Luzon Commercial Operations	20
2.	Visayas Trial Operations	22
3.	Visayas Supply Augmentation Auction	22
4.	WESM Governance	24
5.	Electric Cooperative's Participation in the WESM	26
B.	Open Access and Retail Competition	27
C.	Market Power Monitoring	29
V.	ENERGY SUPPLY SECURITY AND RELIABILITY	31
A.	Electricity Generation	31
B.	Transmission Projects	32
C.	ERC-Approved Capital Expenditure Projects – Within The Period Under Review	33
VI.	TOTAL ELECTRIFICATION	34
A.	Accomplishments as of 30 September 2009	34
B.	Implementation Strategies	34
1.	Public Sector Contribution	34
2.	Private Sector Participation	36
3.	Foreign-Assisted Projects	37
C.	Plans and Programs	39
ANNEXES		40
Annex 1 – Summary of ERC Cases on Sub-transmission Assets		40
Annex 2 – Status of STA Sales		41

Annex 3 – ERC Approved Rates Schedule for MERALCO	42
Annex 4 – ERC Approved Rates Schedule for Iligan Light and Power, Inc.	43
Annex 5 – Summary Decisions on Show Cause Orders on the Implementation of Rate Reduction due to Loan Condonation.....	44
Annex 6 - Revised Lifeline Program.....	45
Annex 7 – Summary of Events on PIPPA’s application for Interim Open Access before the ERC.....	47
Annex 8 - Comparison of DOE and ERC Installed Capacity Data Based on ERC Resolution No. 4, Series of 2009	49
Annex 9 - ERC-Approved Capital Expenditure Projects (May - October 2009)	50

LIST OF TABLES

Table 1 - Privatization Proceeds	1
Table 2 - List of Privatized Plants.....	2
Table 3 - NPC Generating Plants for Privatization	3
Table 4 – List of Successfully Bidded-Out Decommissioned Plants	4
Table 5 – Privatization of Turned Over IPP Plants.....	4
Table 6 - IPP Contracts for Privatization.....	5
Table 7- STA Sale Contracts Signed May 2009 - October 2009.....	6
Table 8 - NPC Basic Generation Rates (PhP/kWh).....	7
Table 9 - NPC Effective Generation Rate (PhP/kWh).....	7
Table 10 - Ancillary Service Charges under the ASPA.....	9
Table 11- Estimated Impact of Ancillary Service Charges under the ASPA	10
Table 12 - Estimated Pass-through Amount of the Restoration of Transmission Facilities....	10
Table 13 - Average Effective Residential Electricity Rates (PhP/kWh)	11
Table 14 – ECs’ Average Effective Rates, June 2009 (PhP/kWh)*	12
Table 15 - EC's Average Effective Residential Electricity Rates, June 2009 (PhP/kWh).....	12
Table 16 - Collections & Disbursements, As of September 2009 (In PhP).....	13
Table 17 - UC Collections/Remittances for the Period March 2009 -October 2009.....	14
Table 18 – UC-ME Disbursements as of February 2009 (in PhP)	14
Table 19 – Proposed UC for the Recovery of SCC and SD (PhP/kWh)	15
Table 20 – Status of Loan Condonation as of September 2009 (PhP).....	15
Table 21 - Payments per Type of Loan.....	16
Table 22 - Monthly Amount Incurred by NPC for the Grant of MRR, January – September 2009.....	17
Table 23 - NPC Transition Supply Contract 2009-2011	19
Table 24 – NPC/PSALM Capacity Eligible for TSC, 2009 – 2011 (MW)	19
Table 25 - Summary of Market Results	21
Table 26 - Metered Quantities: Energy Mix (in Percent)	21
Table 27 - Metered Quantities: Energy Consumption	21
Table 28 - Effective Settlement Prices.....	22
Table 29 - Comparison of VSAA Application vs. ERC Approval	23
Table 30 - Capacity Limitations, March 2009-March 2010	30
Table 31 – Market Share by Ownership	30
Table 32 – Comparative Generation by Energy Resource (January to June)	32
Table 33 – Comparative Generation by Ownership (January to June)	32
Table 34 - Barangay Electrification Status as of 30 October 2009.....	35

I. INTRODUCTION

The 15th Status Report of Electric Power Industry Reform Act (EPIRA) Implementation covers the period May to October 2009, although updates for privatization for November 2009 was already included. It highlights continuing implementation of the reforms as set forth in Republic Act 9136 or through the sector’s efforts to hurdle the global financial crisis that affected major policy objectives particularly in terms of encouraging new investments in power generation. Fortunately, despite the challenges posed by the crisis, the government’s privatization efforts reaped considerable gains with the threshold in generating assets privatization reached at more than 80 percent and the success for the bidding of the first wave of NPP-IPP contracts privatization.

For the period May to October 2009, the government focused mainly in addressing issues relating to competition and has initiated activities towards harmonization of the EPIRA Law with the newly passed Renewable Energy (RE) Act.

Major highlights of the 15th EPIRA Implementation Status Report includes:

- Updates on privatization of National Power Corporation (NPC) generating assets and the transfer of the management and control of NPC contracts to independent administrators;
- Wholesale Electricity Spot Market (WESM) developments
- Initial activities leading to the harmonization of the RE Act with the WESM and EPIRA
- Electricity rates;
- Power supply-demand situation;
- Progress of the barangay electrification program;

II. DEVELOPMENTS IN THE PRIVATIZATION EFFORT

As of the report period, the government was able to achieve 81.3 percent privatization level for the generating assets on account of the successful bidding for Tiwi-Makban, Palinpinon-Tongonan and Panay-Bohol diesel power plants and the negotiated bidding for the Calaca coal-fired power plant. Initial success on the transfer of NPC-IPP contracts was realized with the selection of IPP Administrators during the second round of bidding for the NPC contracts in Sual and Pagbilao power plants. In addition, newly turned-over power plants, previously under the Build-Operate-Transfer (BOT) scheme were likewise bidded out translating to around 34.0 percent privatization level for. The operation of the high voltage transmission wires was already transferred to the National Grid Corporation of the Philippines (NGCP). Meanwhile, the TransCo continuously pursue privatization of its sub-transmission assets (STAs).

Proceeds earned by the government from the privatization (excluding that of the STAs) amounted to US\$ 8.7 billion (Table 1).

Table 1 - Privatization Proceeds

Item	Amount in million US\$
Generating Plants	2,999.85
Decommissioned Plants	7.31
TransCo Concession	3,950.00
Transfer of NPC-IPP contracts to IPPA	1,763.00
TOTAL	8,720.16

Source: PSALM

A. Privatization of Generating Assets

This section provides an update on the privatization of all NPC generating assets to cover 1) plants for sale as approved by the JCPC; and, 2) turned-over NPC-IPP plants. Also included are some updates on the sale of NPC's decommissioned assets.

1. Generating Assets included in the Privatization Plan Approved by the Joint Congressional Power Commission

As of November 2009, the government was able to privatized 24 of its generating/operating plants in the country with a total combined capacity of 3,897 megawatts (MW). Eighteen (18) of these power plants are situated in the Luzon and Visayas grid accounting for 81.3 percent of the total generating capacities for privatization as approved by the Joint Congressional Power Commission. Significant sales made to date were that of the country's geothermal assets in Palinpinon-Tongonan and the diesel-fired power plants in Panay and Bohol.

Table 2 - List of Privatized Plants

Name of Plant	Rated Capacity (MW)	Winning Bidder	Winning Bid Price (US Dollar)	Payment Period
Talomo	3.5	Hydro Electric Development Corp.	1,370,000.00	2005*
Agusan	1.6	First Generation Holdings Corp.	1,528,000.00	2005*
Barit	1.8	People's Energy Services Inc.	480,000.00	2005*
Cawayan	0.4	Sorsogon II Electric Cooperative, Inc.	410,410.00	2005*
Loboc	1.2	Santa Clara International Corp.	1,428,000.00	2005*
Pantabangan-Masiway	112	First Generation Hydro Corp.	129,000,000.00	2006-2013
Magat	360	SN Aboitiz Power	530,000,000.00	2007*
Masinloc	600	Masinloc Power Partners Ltd.	930,000,000.00	2008*
Ambuklao-Binga	175	SNAP Hydro	325,000,000.00	2008*
Tiwi-Makban	747.5	AP Renewables	446,888,008.00	Pending Closing Date of Sale
Panay I & III-Bohol	168.5	SPC Power Corp.	5,857,553.34	2009*
Amlan	0.8	ICS Renewables Inc.	230,000.00	Pending Closing Date of Sale
Calaca Coal-Fired Thermal Power Plant	600.0	DMCI Holdings Inc.	361,709,000.00	Pending Closing Date of Sale
Palinpinon-Tongonan Geothermal Power Plants	305.0	Green Core Geothermal Inc.	220,000,000.00	Pending Closing Date of Sale
Naga Land-Based Gas Turbine	55.0	SPC Power Corporation	1,437,488.00	Pending Closing Date of Sale
Total	3,132.2		2,955,338,459.34	

*Fully paid
Source: PSALM

a. Batangas Coal-Fired Thermal Power Plant (BCFTPP or Calaca Coal-Fired Power Plant)

After the uncompleted closing of the sale of the 600-MW Calaca coal-fired power plant to Emerald Energy Corporation, the government was able negotiate the sale of the said plant with DMCI Holdings Inc. (DMCIHI) who was declared the highest bidder in the negotiated sale conducted last 08 July 2009. DMCIHI offered US\$361.7 million for the Batangas-based power plant to edge out Thailand Corporation Banpu Power Limited.

Included in the sale contract was an allocation of 287-MW power supply contract equivalent to about 48.0 percent of the plant's rated capacity, providing the new owner a ready market for the electricity that the power plant will generate. The Manila Electric Company will assume the biggest portion of the contracted energy, equivalent to 169-MW.

b. Palinpinon – Tongonan Geothermal Power Plants

The 192.5 MW Palinpinon and 112.5-MW Tongonan geothermal power plants was successfully bid out last 02 September 2009 to Green Core Geothermal Inc., a wholly-owned subsidiary of First Luzon Geothermal Energy Corporation, which is wholly owned by the Energy Development Corporation (EDC). Green Core offered US\$220.0 million for the two Visayas-based geothermal plants to edge out Therma Power-Visayas Inc. which bid US\$200 million.

c. Naga Land-based Gas Turbine (LBGT) Power Plant

The 55 MW Naga LBGT was acquired by SPC Power Corporation on 16 October 2009 acquired after concluding negotiations with the Power Sector Assets and Liabilities Management (PSALM) Corporation where SPC agreed to match the reserve price of US\$1.0 million for the Cebu-based power plant. The company's initial offer was US\$429,488.0.

Meanwhile, generating assets scheduled for privatization in 2010 are shown in Table 3.

2. Privatization of Decommissioned Assets

For the report period, two (2) decommissioned plants were bid out namely the 108 MW Aplaya Diesel located in Jasaan, Misamis Oriental and the 22.3 MW General Santos Diesel Power Plant located in General Santos City, South Cotabato last 25 May 2009. TEC Industries, Inc. (TEC), the winning bidder for the said assets agreed to match the reserve price of US\$1.488 million for the packaged decommissioned plants.

TEC was left as lone bidder during the second round of bidding since the other bidder was disqualified for failing to comply with the requirements. TEC's original bid of US\$788,000 did not meet the government's set reserve price but under applicable government rules, PSALM can negotiate with interested parties after a failed second round of bidding. Accordingly, the reserve price was then disclosed to TEC, which agreed to match the same.

Table 3 - NPC Generating Plants for Privatization

Plants	Rated Capacity (MW)	Indicative Bid Date
Angat Hydro Electric	246.0	1 st Sem 2010
Bacman Geothermal	150.0	2010
Buang Diesel*	235.2	2010
Navotas I & II Gas Turbines	310.0	2010
TOTAL		

**Asset with expiring contracts in 2009-2010 shall be privatized following Genco process of privatization
Source: PSALM*

Table 4 – List of Successfully Bidded-Out Decommissioned Plants

Name of Plant	Winning Bidder	Winning Bid Price (US\$)	Payment Status
Manila Thermal	Gagasan Steel Inc.	2,506,000.00	Fully paid
Cebu II	Taifu Metal Exchange Corp	460,000.00	Pending Closing Date of Sale
Bataan Thermal	Rubenori Inc.	2,859,000.00	Pending Closing Date of Sale
Aplaya-General Santos Diesel	TEC Industries, Inc.	1,488,000.00	Pending Closing Date of Sale
Total		7,313,000.00	Pending Closing Date of Sale

Source: PSALM

3. Privatization of Turned Over NPC-IPP Plants

Four (4) IPP plants recently turned over to PSALM were likewise privatized during the report period with an equivalent capacity of 875-MW and total proceeds of US\$ 44.5 million.

Table 5 – Privatization of Turned Over IPP Plants

Plants	Rated Capacity (MW)	Winning Bidder	Winning Bid Price (US\$ million)	Bid Date
PB 118	100.0	Therma Marine Inc.	14.00	31 July 2009
PB 117	100.0	Therma Marine Inc.	16.00	31 July 2009
Limay	620.0	San Miguel Energy Corporation (SMEC)	13.50	26 August 2009
Naga (Cebu) LGBT 1 & 2	55.0	SPC Power Corporation	1.01	16 October 2009
Total	875.0		44.51	

Source: PSALM

a. Power Barges 117 and 118

Therma Mobile Inc., acquired the 100-MW PB 117 for US\$16 million, while Therma Marine Inc. bought the 100-MW PB 118 for US\$14 million in a negotiated bidding conducted by PSALM on 31 July 2009.

b. Limay Block A & B Combined Cycle Power Plant

The 620-MW Limay Combined Cycle Power Plant was successfully sold-out last 26 August 2009 in a negotiated sale conducted by PSALM with San Miguel Energy Corporation who offered US\$13.5 million for the Bataan-based plant.

c. Naga Land Based Gas Turbine Power Plant

SPC Power Corporation acquired the 55-MW Naga LBGT last 16 October 2009 after concluding negotiations with the PSALM Corporation where it agreed to match the reserve price of US\$1.008 million for the Cebu-based power plant.

B. Transfer of NPC- IPP Contracts to IPPA

San Miguel Energy Corporation (SMEC) and Therma Luzon Inc. were chosen last 28 August 2009 as Administrators for the contracted capacities of the Sual and Pagbilao Coal- Fired Thermal Power Plants.

SMEC US\$1.072 billion for the management and control of NPC’s 1,000-MW contracted capacity of the Sual coal-fired power plant. On the other hand, Therma Luzon, an affiliate of the Aboitiz group, was declared the highest bidder for the 700-MW contracted capacity of the Pagbilao coal-fired power plant with an offer of US\$691.0 million.

For both power plants, PSALM entered into “back to back” contracts with SMEC and Therma Luzon. The “back to back” contract is referred to as “Administration Agreements” between PSALM and the appointed IPPA with NPC as a concurring party. The Administration Agreements replicates applicable provisions of the Energy Conversion Agreements between NPC and the IPP (Team Energy for both plants) which are transferred to, as responsibilities of, the Administrators including applicable rights and obligations. These include:

- fuel procurement responsibility
- right to manage and trade the contracted capacity of the IPPs into the electricity market in return for paying fixed monthly fees to PSALM as well as paying the pass through energy fees of the IPPs
- At the end of the contract period of the Administration Agreements, the IPPA has rights to the ownership of the power plant and use of the land.

The success in the first wave of IPP contracts privatization translates to 34.0 percent privatization level. The second wave of IPPA bidding is targeted by December 2009 which will involve the San Roque Hydroelectric Power Plant, the Bakun Run of River Hydroelectric Power Plant, and the Benguet Mini Hydros. The third wave will cover Energy Conversion Agreements (ECA) of the 1200-MW Ilijan Gas Fired Combined Cycle Power Plant and the PPA of the geothermal power plants in Leyte that supply power to the Luzon Grid named as the Unified Leyte A and B Plants.

Table 6 - IPP Contracts for Privatization

IPP Plants	Contracted Capacity (MW)	Bid Schedule
San Roque Multi-Purpose	345	December 2009
Bakun Hydro	70	December 2009
Benguet Mini-Hydros	30	December 2009
Ilijan Natural Gas	1200	2010
Unified Leyte Geothermal	440	2010
Total	2,085	

Source: PSALM

C. Sale of Sub-Transmission Assets

Section 8 of the EPIRA provides for the divestment of STAs from TransCo to distribution utilities (DUs). Compliance to the said provision is preparatory to open-access. The acquisition of the said assets will provide an opportunity for DUs to compete upon commencement of open access and retail competition.

The STAs for sale include assets like step-down transformers, substations and overhead power lines which serve as the main grid's link to DUs. These assets involve a total of about 6,500 circuit-kilometers comprising mostly of 69kV transmission lines and 1,600 MVA of substation capacity. Estimated cost of these assets is placed at about PhP7.6 billion based on 31 December 2007 net book values. Acquisition of such assets would pave the way for the electric cooperatives (ECs) to improve their operations and expand their network which could result in serving more customers in their franchise areas.

Table 7- STA Sale Contracts Signed May 2009 - October 2009

Distribution Utility	Contract Amount PhP Million
Misamis Occidental 2 Electric Cooperative, Inc. (MOELCI 2)	53.00
VMC Rural Electric Service Cooperative, Inc. (VRESCO)	53.33
Davao del Norte Electric Cooperative, Inc. (DANECO)	42.30
TOTAL	148.63

For the period May 1, 2009 to October 31, 2009 three (3) sale contracts amounting to PhP148.6 million were signed as shown in Table 7:

Meetings and negotiations with some 20 DUs nationwide are underway to further push for the sale of STAs including the negotiation for the sale of 1,100 circuit-kilometers of sub-transmission lines worth PhP1.0 billion.

As of 15 October 2009, Transco has been able to divest PhP3.22 Billion (61 sale packages) worth of STAs including 320 MVA transformers to 54 DUs. Included in the sale packages are 35 Lease Purchase Agreements with 32 ECs under concessional terms amounting to about PhP 2.25 Billion. The balance of over PhP970.0 million represents sales to private distribution utilities (PDUs). Twenty-six (26) contracts have been approved by the Energy Regulatory Commission (ERC) amounting to PhP1.37 billion. Meanwhile, relevant ERC Decisions concerning STAs are summarized in Annex 1.

III. ELECTRICITY RATES

This section presents updates on electricity rates focusing on electricity rate adjustments approved by the ERC, updates on universal charge, condonation of ECs' loans, mandated rate reduction, systems loss adjustments and lifeline subsidy.

A. NPC Generation Rate

The NPC was given Provisional Authority (PA) by the ERC in its Order dated 16 February 2009 to implement starting March 2009 billing a new basic generation rates (BGC) in the amount of PhP4.3648/kWh in Luzon, PhP4.0339/kWh in Visayas and PhP2.8177/kWh in Mindanao. However, in one of ERC's hearing on the said case, ERC noted PSALM's manifestation that the sale and transfer of Panay and Bohol Power Plants will have an effect on their proposed rate for the Visayas grid by around PhP0.03084/kWh due to the removal of related costs, rate base and other

revenue requirement components. Thus, on 23 March 2009, the ERC issued a new order provisionally authorizing NPC/PSALM to implement a new rate adjustment for the Visayas effective on the March billing period equivalent to PhP4.0339/kWh or an increase of PhP 1.1460/kWh from the old rate of PhP2.8879/kWh.

Table 8 - NPC Basic Generation Rates (PhP/kWh)

GRID	Existing BGC	Proposed BGC as per ERC Case No. 2009-004 RC	PA per ERC Order Dated 16 Feb 2009	Increase/Decrease		PA per ERC Order Dated 23 Mar 2009	Increase/Decrease	
				Amount	Percent		Amount	Percent
Luzon	3.8966	4.7298	4.3648	0.4682	12			
Visayas	2.8879	4.2694	4.0339	1.1460	40	3.7255	0.8376	29
Mindanao	2.1030	3.1717	2.8177	0.7147	34			

On adjustments for the fuel costs and foreign exchange components, NPC/PSALM has jointly filed for various petitions covering the period January 2007 to March 2009 for the 9th to 14th Generation Rate Adjustment Mechanism (GRAM) and the 8th to 13th Incremental Currency Exchange Rate Adjustment (ICERA).

Following provisional/final decisions on its various applications for rate adjustments, NPC's effective generation rates for May to September 2009 are summarized in Table 9.

Table 9 - NPC Effective Generation Rate (PhP/kWh)

Grid	Period	Basic Generation Charge	Franchise & Benefits to Host Communities	ICERA	GRAM	NPC Effective Rate
Luzon	May – Sept, 2009	4.3648 ^a	0.0245	-0.0490 ^b	-0.3132 ^c	4.0271
Visayas	May – Sept, 2009	3.7255 ^d	0.0177	0.0599 ^e	0.0278 ^f	3.8309
Mindanao	May – July, 2009	2.8177 ^a	0.0282	0.1571 ^g	0.0000 ^h	3.0030
	Aug – Sept, 2009	2.8177 ^a	0.0282	0.0000 ⁱ	0.0000	2.8459

a\ Per ERC Order Dated February 16, 2009 (PA of New Basic Generation Rates)

b\ Per ERC Order Dated January 19, 2009 (PA of 11th ICERA)

c\ Per ERC Order Dated January 19, 2009 (PA of 12th GRAM)

d\ Per ERC Order Dated March 23, 2009 (PA New Basic Generation Rates for Visayas Grid)

e\ Per ERC Order Dated June 11, 2008 (PA of 8th ICERA)

f\ Per ERC Order Dated June 11, 2008 (PA of 9th GRAM)

g\ Per ERC Order Dated December 15, 2008 (Final Decision of 8th ICERA)

h\ Per ERC Order Dated December 15, 2008 (Final Decision of 9th GRAM)

i\ Per ERC Order Dated December 15, 2008 (Final Decision of 8th ICERA)

For the report NPC/PSALM likewise filed new rate adjustments petitions before the ERC as summarized in the below:

- 12th ICERA under ERC Case 2009 -031

The adjustments prayed for by NPC/PSALM in this petition are broken in two portions, current and balance. The current portion comprises the deferred cost from foreign exchange fluctuations for the test period October 2008 to December 2008. On the other hand, the balance portion comprises the DAA balances of previous ICERA applications for Luzon, Visayas and Mindanao

grids and the DAAs refunded to NPC-Successor Generating Companies (NPC-SGCs) in the Luzon Grid.

- 13th GRAM under ERC Case No. 2009 – 032 RC

NPC's petition for the allowable adjustment on its fuel and IPP costs are broken down in two portions, current and balance. The current portion comprised the adjustments for the test period October 2008 to December 2008 while the balance portion includes the balances for NPC's previous GRAM applications (12th GRAM DAA for Luzon, 9th GRAM DAA for Visayas and Mindanao grids, and total DAA amounts applied under the 10th, 11th and 12th GRAM applications for Visayas and Mindanao grids) and the total amount of DAAs covering the 9th to 12th GRAM applications actually refunded to NPC-SGCs in the Luzon Grid.

- 13th ICERA under ERC Case 2009 -055 RC

NPC's application for the 13th ICERA covers the period January to March 2009 equivalent to PhP0.1855/kWh in Luzon, PhP 0.0246/kWh in the Visayas and PhP (0.0327)/kWh in Mindanao with a proposed recovery period of three (3) months. According to the NPC petition, the balance from the implementation of the 12th ICERA applications, depending on ERC's decision, shall be added to the aforementioned rate.

- 14th GRAM under ERC Case No. 2009 – 056 RC

The 14th GRAM application covers the period January 2009 to March 2009 equivalent to recovery of PhP1.3203/kWh in Luzon and PhP1.3136/kWh in Visayas and refund of PhP0.0625/kWh in Mindanao. NPC proposed for a recovery/refund period of three months.

On 03 August 2009, based on NPC/PSALM proposal in a case filed on 14 August 2008, the ERC approved the *Rules for the Automatic Recovery of Monthly Fuel and Purchased Power Costs and Foreign-Exchange Related Costs by NPC*. The Rules provides for the mechanisms on how NPC can adjust its rates to be able to recover/refund over/under recoveries in its fuel and purchased power costs and foreign-exchange related costs which vary monthly depending on the prevailing economic conditions. Purchased power costs relate to those incurred by the NPC for the power it sources from its Independent Power Producers (IPPs).

Under the new rules, NPC may automatically adjust its monthly generation rate to reflect changes in fuel and purchased power costs in time with the actual movements of fuel prices and foreign exchange rates thus avoiding carrying or cost of money charges. The automatic adjustments would be computed monthly based on an independent reference source or benchmark (Mean of Platts Singapore or FOB Newcastle). Verification and true-up adjustments for the fuel purchase and power

cost and forex will be done annually by the ERC. With respect to the unfiled and unverified cost recoveries through the GRAM and ICERA, the said ruling provided a one hundred twenty (120) days deadline from the effectivity of the rules for NPC/PSALM to file their petition.

B. Transmission Rates

With the passage of Republic Act 9511 on December 1, 2008, the National Grid Corporation of the Philippines (NGCP) has been given a franchise to operate the transmission business to NGCP by Transco was effected on January 15, 2009. Together with the Franchise Law is the Concession Agreement provides that between Transco and NGCP, it shall be NGCP who will be the sole regulated transmission entity by the ERC.

For the period May 2009 to October 2009, NGCP has filed for two (2) rate-related petitions, first for the provision of ancillary services and second, for the expenditures it will incur to restore and rehabilitate the transmission facilities damaged by typhoons “Cosme” and “Frank” and the sabotage in Mindanao. The discussion below provides the highlights and status of the said petitions:

1. Ancillary Services Procurement Plan

On May 20, 2009, the NGCP filed ERC Case No. 2009-029 RC, *In Matter of the Application for the Approval of the Ancillary Services Procurement Agreement (ASPA) Between the National Transmission Corporation (now National Transmission Grid Corporation of the Philippines) and the National Power Corporation with Prayer for the Issuance of Provisional Authority*. In the said petition, NGCP prayed for an issuance of a PA to implement the ASPA which will oblige NPC to provide the AS in accordance with the ASPA and allow NGCP to recover from benefiting customers all related and incidental expenses (not included in the 2nd regulatory period – Final Determination) that it incurred or may incur in relation with the procurement and operation of AS under the ASPA. The corresponding AS charges are shown in Table 10 while the expected impact on NGCP’s transmission charges in the Luzon, Visayas, and Mindanao grids are in Table 11.

The case is still being reviewed by ERC and during the hearing last 10 October 2009, NGCP and NPC was requested to submit a Formal Offer of Evidence within ten (10) days.

Table 10 - Ancillary Service Charges under the ASPA

Grid	Regulating Reserve (PhP/kW/hr)	Contingency Reserve (PhP/kW/hr)	Dispatchable Reserve (PhP/kW/hr)	Reactive Power Support (PhP/MVAR/mo.)
Luzon	2.3490	2.3490	2.3490	38.40
Visayas	2.1006	2.1006	2.1006	17.33
Mindanao	1.3044	1.3044	1.3044	21.25

ERC's immediate action on the ASPA is critical for the NGCP to ensure reliability of power supply as it will provide the pricing mechanism that will allow NPC and NGCP to recover just compensation for the provision of AS. NGCP already raised various concerns on how they can comply with responsibility of providing for the AS since there are limited numbers of qualified generators to offer AS. In addition, there is no clear mechanism on how generators offering AS will be justly compensated. The ASPA is an interim solution, however, in the event that all of NPC generating assets are privatized, there is a need to look for a more sustainable solution which will make nominating AS a financially rewarding business for generators. NGCP provision for AS services necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with good utility practice and Grid Code (Section 4b of the EPIRA).

Table 11- Estimated Impact of Ancillary Service Charges under the ASPA

Grid	AS Type	PhP/kW/month			Php/kWh		
		As Billed	Simulated	Increase	As Billed	Simulated	Increase
Luzon	Regulating Reserve	8.25	20.57	12.33	0.02	0.05	0.03
	Contingency Reserve	11.54	28.77	17.23	0.03	0.06	0.04
	Dispatchable Reserve	18.21	45.43	27.22	0.04	0.10	0.06
Visayas	Regulating Reserve	6.17	30.76	24.59	0.01	0.07	0.06
	Contingency Reserve	16.21	80.84	64.63	0.04	0.19	0.15
	Dispatchable Reserve	7.41	36.94	29.53	0.02	0.09	0.07
Mindanao	Regulating Reserve	6.45	16.09	9.64	0.02	0.04	0.02
	Contingency Reserve	20.56	51.27	30.71	0.05	0.12	0.07
	Dispatchable Reserve	19.31	48.16	28.85	0.05	0.12	0.07

2. Recovery of Cost for the Restoration of Damaged Transmission Facilities

On 13 July 2009, NGCP filed ERC Case No. 2009-0049RC for the approval of Force Majeure (FM) Event Regulated FM Pass through for typhoons Cosme and Frank and for the sabotage of transmission towers in Mindanao. Accordingly, NGCP provided the actual (incurred) and programmed expenditures in 2008 and for 2009, respectively, to restore and rehabilitate the transmission facilities damaged by said events. The estimated impact of to the customers' of the restoration of the damaged transmission facilities are summarized in Table 12.

Table 12 - Estimated Pass-through Amount of the Restoration of Transmission Facilities

FME Event	2008 PhP/kW	2009 PhP/Kw	PhP/kW (combined 2008 & 2009)	2010 PhP/kW
Cosme-Luzon	0.0281	0.0611	0.0892	0.0653
Frank-Luzon	0.0218	0.0638	0.0856	0.0822
Frank-Visayas	0.0570	0.1001	0.171	0.0937
Sabotage-Mindanao	0.0514	0.1095	0.1609	0.1129

C. Distribution Utilities (DUs) Rates

In response to the ECs' clamor for a more responsive rate methodology, a new form of methodology for the ECs will be adopted by virtue of ERC Resolution No. 20, Series of 2009. Said resolution, issued on 23 September 2009 by the ERC was based on a benchmarking study which was subjected to various expository and public consultations which resulted later on of a new methodology framework for on-grid ECs. Under the new framework, ECs rates will be determined as follows:

- The ECs shall be classified into groups;
- An Initial Tariff and a Tariff Glide Path shall be developed for each EC group for a regulatory period;
- The Initial Tariff and the Tariff Glide Path shall be the rate caps;
- The basic structure of Tariff Glide Path shall consist of an index, minus an efficiency factor, X, plus performance incentives;
- There shall be a transition from the current tariff to a rate up to the initial Tariff which shall be proposed by each EC;
- Before the end of the Regulatory Period, the EC groupings and the Initial Tariff shall be reset for the next Regulatory Period

This section provides discussion on the average effective residential electricity rates of distribution utilities for the month of June 2009 which are calculated based on the Monthly Financial and Statistical Report (MFSR) and Monthly Operations Report (MOR) submitted by the ECs and private distribution utilities respectively, to the DOE and NEA.

The national average effective residential electricity rate for the billing period June 2009 was PhP7.1539/kWh, higher by 34-centavos compared to the March 2009 national average on account mainly of adjustments in the generation charges of NPC as provisionally approved by the ERC. Comparative rates for Luzon, Visayas and Mindanao are shown in Table 13.

Table 13 - Average Effective Residential Electricity Rates (PhP/kWh)

Grid	Electric Cooperatives (ECs)			Private Distribution Utilities (PDUs)			Average*		
	March 2009	June 2009	Difference	March 2009	June 2009	Difference	March 2009	June 2009	Difference
Luzon	8.0128	8.4208	0.4080	8.3362	7.8474	(0.4888)	8.1745	8.1341	(0.4040)
Visayas	7.4369	7.9671	0.5302	5.2023	5.9259	0.7236	6.3196	6.9465	0.6269
Mindanao	6.6408	7.0371	0.3963	5.2480	5.7251	0.4771	5.9444	6.3811	0.4467
Philippines	7.3635	7.8083	0.4448	6.2622	6.4995	0.2373	6.8128	7.1539	0.3411

*Note: ECs - Based on NEA submitted Quarterly Unbundled Power Rate Schedules
 PDUs - based on PDUs' submitted Monthly Operations Report
 not weighted average

Among the ECs' major customer class on the national average, residential customers has the highest rate at PhP7.8083 while on a per grid basis, Luzon DUs has the highest effective rate at PhP7.6891/kWh Table 14.

Table 14 – ECs' Average Effective Rates, June 2009 (PhP/kWh)*

BILL SUBGROUP	LUZON	VISAYAS	MINDANAO	PHILIPPINES
Residential	8.4208	7.9671	7.0371	7.8083
Commercial	7.3739	6.9454	6.2139	6.8444
Small Commercial	6.7157	6.8114	5.7453	6.4241
Large Commercial	6.9213	6.5526	5.5265	6.3335
Industrial	7.2628	6.7666	5.4837	6.5044
Public Building	7.3388	6.8002	6.0544	6.7311
Streetlights	8.7108	7.4757	8.0460	8.0775
Others	7.0273	6.3018	5.3917	6.6645
Effective Average Rates	7.6891	6.9526	6.1891	6.9235

*Based on Monthly Financial and Statistical Reports submitted by ECs to NEA

Of the ECs' national average effective residential rates for June 2009, 46 percent comprised the generation cost, 23 percent comprised distribution, supply and metering charges, 15 percent for transmission cost and the remaining 16 percent for systems loss charges, government taxes and subsidies Table 15.

Table 15 - EC's Average Effective Residential Electricity Rates, June 2009 (PhP/kWh)

Bill Subgroup	LUZON		VISAYAS		MINDANAO		NATIONAL	
	PhP/kWh	Percent share	PhP/kWh	Percent share	PhP/kWh	Percent share	PhP/kWh	Percent share
Generation	3.9106	46.44	3.8424	48.23	3.0839	43.82	3.6123	46.26
Transmission	1.1334	13.46	1.2396	15.56	1.0829	15.39	1.1519	14.75
System Loss	0.7915	9.40	0.6947	8.72	0.6578	9.35	0.7147	9.15
Distribution *	1.8950	22.50	1.7096	21.46	1.6806	23.88	1.7617	22.56
Subsidies	0.0501	0.60	0.0459	0.58	0.0616	0.88	0.0526	0.67
Government Taxes	0.6402	7.60	0.4349	5.46	0.4703	6.68	0.5151	6.61
Total	8.4208	100.00	7.9671	100.00	7.0371	100.00	7.8083	100.00

* Includes Distribution, Supply and Metering Charges

Based on ECs submission of their unbundled effective rates to NEA

D. Cross-Subsidy Removal

Section 74 of the EPIRA specifies that cross subsidies within a grid, between grids and/or classes of customers shall be phased out in a period not exceeding three (3) years from the establishment by the ERC of a universal charge which shall be collected from all electricity end-users. The ERC may extend the period for the removal of cross subsidies for a maximum period of one (1) year upon finding that cessation of such mechanism would have a material adverse effect upon the public interest, particularly the residential end-user; or would have an immediate irreparable, and adverse financial effect on distribution utility.

The ERC approved the removal of Inter-class cross-subsidies simultaneously with the Unbundling of rates application filed by the DUs.

NPC and Transco has already completely removed the inter and intra-grid cross subsidies. On the other hand, one hundred three (103) out of one hundred nineteen (119) ECs have completed the removal of Inter-Class Cross Subsidies. The remaining sixteen (16) ECs are still implementing their cross subsidy removal process. For Private Utilities, however, only three (3) out of the 18 PUs are still implementing the gradual removal of inter-class cross subsidy. Bohol Light Company, Inc. (BLCI) is still implementing the gradual removal of inter-class cross subsidy. Angeles Electric Corp. and Bauan Electric Light System, on the other hand, have not yet started implementing the removal process.

E. Administration of Universal Charge (UC)

The Universal Charge (UC) is a non-bypassable charge, mandated under Section 34 of the EPIRA, to be imposed on all electricity end-users, including self-generation entities, for the following specific purposes:

- Payments for stranded debts and stranded contract costs;
- Missionary electrification;
- Equalization of taxes and royalties applied to indigenous or renewable sources of energy vis-à-vis imported energy fuels;
- An environmental charge for watershed rehabilitation and management; and
- A charge to account for all forms of cross-subsidies.

The UC is collected from all end-users every month by the National Transmission Corporation (TransCo) and distribution utilities based on the approval made by the Energy Regulatory Commission (ERC) and remitted to PSALM every 15th of the following month.

Table 16 - Collections & Disbursements, As of September 2009 (In PhP)

Particulars	Collections/ Remittances	Disbursements	Balances
Missionary Electrification	10,565,303,573.84	10,558,203,176.32	7,100,397.52
Environmental Charge	711,294,678.72	338,928,492.72	372,366,186.00
Main Trust Account- UC	226,080.47	-	226,080.47
Total:	11,276,824,333.03	10,897,131,669.04	379,692,663.99

Source: PSALM

PSALM administers the UC fund collections which are placed in Special Trust Accounts (STF) established separately for each of the intended purposes of the UC, for disbursement in an open and transparent manner. At present, only the UC for Missionary Electrification (UC-ME) and UC for Environment and Watershed Rehabilitation (UC-EWR) have been imposed and are being collected. The total UC currently imposed to all customers amounts to PhP0.0398/kWh which is composed

of PhP0.0373/kWh for missionary electrification and PhP0.0025/kWh for environment and watershed rehabilitation.

1. Total Collections/Disbursements for UC-ME and UC-EWR

Total UC collections/remittances to PSALM as of 30 September 2009 amounted to PhP11.28 billion, PhP10.90 billion of which was disbursed by PSALM to NPC for missionary electrification and environment and watershed rehabilitation which leaves the UC fund with a balance of about PhP379.69 million. For the period March 2009 to September 2009, PSALM disbursed to NPC-SPUG the total amount of PhP1,024 million (Table 18). Following are some details of the disbursements for UC-ME:

Table 17 - UC Collections/Remittances for the Period March 2009 -October 2009

Month	UC - ME	UC - EWR	Total
March	130,438,933.02	8,688,252.07	139,127,185.09
April	148,866,407.38	9,932,437.44	158,798,844.82
May	152,373,029.99	10,179,006.09	162,552,036.08
June	154,802,476.63	10,373,035.34	165,175,511.97
July	158,246,281.34	10,600,355.83	168,846,637.17
August	164,858,627.10	11,180,605.60	176,039,232.70
September	154,655,383.68	10,278,400.97	164,933,784.65
Total	1,064,241,139.14	71,232,093.34	1,135,473,232.48

Source: PSALM

- The PhP141 million disbursed in May 2009 completed the release of P542 million authorized by the ERC in its Order dated 16 February 2009 to fund NPC-SPUG’s operation for CY 2009.
- The disbursements from June to September 2009 amounting to PhP669.42 million pertain to the DAA portion of NPC-SPUG’s 2nd GRAM.
- On 10 September 2009, ERC issued an Order dated 17 August 2009 provisionally granting SPUG’s petition for the availment from the UC-ME fund with modification. The Commission authorized:
 - The annual release of PhP5.7 billion for NPC-SPUG’s missionary electrification for the Calendar Year 2009;
 - All distribution utilities and National Grid Corporation of the Philippines (NGCP) to collect the UC-ME charge in the amount of PhP0.0978/kwh from consumers starting the next billing period from receipt of the Order and remit the same to PSALM, on or before the 15th day of the succeeding month.

Table 18 – UC-ME Disbursements as of February 2009 (in PhP)

Month	UC – ME
March	200,000,000.00
April	200,562,866.50
May	141,103,800.50
June	187,000,000.00
July	160,000,000.00
August	164,421,441.42
September	158,000,000.00
Total	1,024,088,108.42

Source: PSALM

Meanwhile, no disbursement for environmental charge was made pending ERC’s approval of the petitions filed by the NPC for the availment from the UC-Watershed fund.

2. UC for Stranded Contract Costs (SCC) and Stranded Debts (SD)

Recovery for the NPC/PSALM's SCC for fiscal year 2009 and projected SD for the fiscal years 2009-2029 was filed by PSALM before the ERC for the recovery under the UC. For the petition on SCC, PSALM seeks ERC's approval for it to recover the shortfall incurred in operating the eligible IPPs in the Luzon Grid in the amount of PhP 22,256 million over a period of five (5) years. On the other hand, in order to stabilize and mitigate increases in the level of NPC's SD, PSALM sought for the approval of a levelized UC-SD amounting to PhP470.1 billion which is proposed to be recovered over a 17-year period. The calculated levelized SD is the estimated shortfall of NPC in paying its financial obligations. The applicable charges, if approved by the ERC, is summarized in Table 19.

Table 19 – Proposed UC for the Recovery of SCC and SD (PhP/kWh)

Proposed Recovery Period	Luzon			Visayas/Mindanao
	UC-SCC	UC-SD	Total	
Year 1	.0920	0.3049	0.3969	0.3049
Year 2	.0920	0.3049	0.3969	0.3049
Year 3	.0920	0.3049	0.3969	0.3049
Year 4	.0920	0.3049	0.3969	0.3049
Year 5	.0920	0.3049	0.3969	0.3049
Year 6-17		0.3049	0.3049	0.3049

Source: PSALM

F. Assumption of Loans of Electric Cooperatives

As of September 2009, PSALM has paid a total of PhP9.9 billion worth of financial obligations of ECs to NEA, other government agencies and local government units. This comprised around 45.0 percent of ECs' collective loans to that was assumed by PSALM, leaving a balance of PhP 8.1 billion. Total payment made by PSALM to NEA was PhP9.9 billion while that for LGU/OGA was PhP80.3 million. (Table 20)

Of the PhP9.865 billion total payments to NEA as of September 2009, about 74.9 percent, or PhP7.39 billion was used to pay the rural electrification loans incurred by the ECs, 15.6 percent or PhP1.54 billion was for Mini-hydro loans, and 9.3 percent or PhP 924.74 million was for Dendro Thermal loans. Payments intended for house wiring services only amounted to PhP7.46 million.

Table 20 – Status of Loan Condonation as of September 2009 (PhP)

	Total Assumption	Actual Payments		Balance	
		Amount	%	Amount	%
NEA	17,977,951,553	9,865,449,244	54.9	8,112,502,310	45.1
LGU/OGA	99,614,780	80,291,474	80.6	19,323,306	19.4
TOTAL	18,077,566,333	9,945,740,717	55.0	8,131,825,616	45.0

Source: PSALM

With respect to ECs' loans to OGAs and LGUs, PSALM has approved for assumption the total loan amount of PhP99.6 out of the estimated loan amount of PhP246.1 million for assumption, broken down into PhP49.9 million and PhP35.3 million, respectively. Out of the PhP 99.6 million for assumption, PhP80.29 million was already paid by PSALM to the OGAs and LGUs as of to date. The balance of PhP19.3

million approved for assumption is being processed and documented for payment to concerned OGA/LGU.

The balance of PhP160.9 million out of the total PhP246.1 million represents the estimated loan amounts of four (4) ECs with respective creditor OGA/LGU, namely: a) Aklan Electric Cooperative (AKELCO) with the Philippine Tourism Authority (PTA), b) Busuanga Island Electric Cooperative (BISELCO) with the Province of Palawan, c) Negros Occidental Electric Cooperative (NOCECO) with the Province of Negros Occidental and DOE, and d) VMC Rural

Table 21 - Payments per Type of Loan

Type of Payment	Amount Paid (In PhP)	Percentage to Total
Rural Electrification Loan	7,388,650,682	74.9
Mini-hydro	1,544,601,934	15.6
Dendro Thermal	924,740,004	9.3
House wiring	7,456,624	0.1
TOTAL	9,865,449,244	100.00%

Source: PSALM

Electrification Service Cooperative (VRESCO) with 3 creditors: the San Carlos City Government, Province of Negros Occidental, and the Asset Privatization Trust (APT), now named Privatization Management Office (PMO). At the time the PSALM Board approved the total loan amount of PhP 85.2 million for assumption in 2004-2005, the loan records of AKELCO, BISELCO, NOCECO, and VRESCO were unreconciled with their respective creditor OGA/LGU, not verified by COA, nor confirmed by concerned debtor ECs as due and demandable as required by Section 5(a) of Executive Order 119¹. The estimated loan obligations of VRESCO with the PMO, on the other hand, was the subject of foreclosure proceedings before the regular court, later settled by a Compromise Agreement, but was eventually the subject again of court proceedings for a declaratory relief which, after dismissal of the case, was elevated on appeal by VRESCO to the Court of Appeals. The status of loan assumption of these 4 ECs are as follows:

- AKELCO and BISELCO - loan records with creditor OGA/LGU remain unreconciled, not audited by COA, nor confirmed by AKELCO and BISELCO as due and demandable as required by Section 5(a) of EO 119;
- NOCECO and VRESCO (with creditor LGU) – The pending legal and financial issues on computed interests and penalties of the estimated loan obligations of NOCECO and VRESCO with the Province of Negros Occidental have already been settled by the parties whereby the Province of Negros Occidental will condone the computed interests and penalties on their respective loans. For submission to the PSALM Board for approval;
- VRESCO (with PMO) - already settled through a Compromise Agreement between VRESCO and PMO, duly approved by the court but still the subject of another pending court litigation.

G. Mandatory Rate Reduction

Pursuant to Section 72 of the EPIRA, NPC has continuously granted a 30-centavo/kWh or a proportionate reduction on electricity rates of residential end-

¹ Restructuring Program for Electric Cooperatives, 28 August 2002

users who's franchised DU sources power from NPC. For January to September 2009, NPC has granted Php1.2 billion for the MRR of which 54 percent accounts for the Luzon residential customers. Of the same amount, residential customers of MERALCO alone shared 25.5 percent. From the start of the implementation period (2001 to date), NPC has already incurred a cumulative total of Php22.3 billion.

Table 22 - Monthly Amount Incurred by NPC for the Grant of MRR, January - September 2009

Billing Month	MERALCO	REST OF LUZON	TOTAL LUZON	VISAYAS	MINDANAO	TOTAL
Jan-09	47,806,643.10	62,542,055.24	110,348,698.34	47,015,229.93	55,007,710.33	212,371,638.60
Feb-09	42,273,187.20	64,217,843.86	106,491,031.06	50,088,622.44	58,532,264.35	215,111,917.85
Mar-09	44,040,781.71	72,167,723.34	16,208,505.05	40,353,083.65	45,253,008.77	201,814,597.47
Apr-09	53,118,020.70	72,821,969.18	125,939,989.88	54,326,480.12	59,947,414.10	240,213,884.10
May-09	64,030,998.00	98,241,624.26	162,272,622.26	51,704,193.10	59,122,138.86	273,098,954.22
Jun-09	68,204,346.90	56,650,477.52	124,854,824.42	51,278,066.68	58,609,301.03	234,742,192.13
Jul-09	63,628,967.70	65,161,685.28	128,790,652.98	48,742,591.72	54,649,917.21	232,183,161.91
Aug-09	58,986,725.10	61,356,596.29	120,343,321.39	48,943,598.40	57,173,785.23	226,460,705.02
Sep-09	50,732,551.80	69,253,355.08	119,985,906.88	49,727,759.66	61,284,765.87	230,998,432.41
TOTAL	305,583,589.50	350,663,738.43	656,247,327.93	250,396,209.56	290,839,908.20	1,197,483,445.69

Source: NPC

On 22 January 2009, following ERC's issuance of Resolution No. 16 Series of 2009² on 15 December 2008, Masinloc Power Partners and Company Limited (MPPCL) filed its "Petition to Initiate Rule Making" on the issue of the MRR which, pursuant to the aforementioned resolution, will continue to be implemented and shouldered by NPC-SGCs from the time of their respective Closing Dates. Said MRR shall continue to be enjoyed by residential end-users and its implementation shall terminate only upon the expiration of the original term of the TSCs assigned and transferred to SGCs.

According to MPPCL, the MRR should not be the responsibility of the NPC-SGCs since it is derived from "NPC rates" which is defined as the charges imposed by NPC to its customers. MPPCL further stressed that the MRR was enacted to ensure the residential end-users that the assumption by the National Government (NG) of NPC's financial obligations would result in lower power rates. According to MPPCL, the NG's absorption of NPC debts was the mechanism adopted to allow and guarantee the implementation of the MRR. Thus, given that no debts of NPC-SGCs were absorbed by the NG and they did not benefit from the assumption of NPC debts, the very rationale of MRR of lowering power rates and the benefit/incentive that guarantees the financial feasibility of MRR implementation are inexistent.³

MPPCL further contended that the EPIRA mandated the NPC to provide for the MRR and its mandate is non-transferable and that the EPIRA thrust towards the privatization of NPC generating assets is contrary to the imposition of the MRR on the NPC-SGCs. By requiring NPC-SGCs to shoulder MRR, the ERC has totally veered away from the primary purpose of the TSCs which is to assure investors of a guaranteed market for the electricity produced from the privatized NPC generating assets.

² A Resolution Adopting Policies to Govern the Transition Supply Contracts Which Have Been Assigned and Transferred to NPC Successor Generating Companies

³ ERC Case No. 2009-009MR

The said petition was partially granted by the ERC by amending Section 10 of Resolution No. 16 Series of 2008 particularly on the issue of MRR through ERC Resolution No. 13 Series of 2009⁴ on 18 May 2009 which now provides that:

“Section 72 of the EPIRA on the Mandated Rate Reduction (MRR) shall continue to be implemented. The NPC successor generating companies shall implement the same subject to the execution of a written instrument between NPC and/or PSALM and the concerned NPC successor generating company specifically containing the assumption by the latter of such obligation. In the absence of such specific written instrument, the rights of the residential end-users shall not be impaired and NPC and/or PSALM shall bear the cost of the rate reductions implemented by the NPC successor generating company. Thus, residential end-users of the affected DUs shall continue to enjoy the rate reduction of thirty centavos per kilowatthour (PhP0.30/kWh) and the implementation of the same shall terminate upon the expiration of the term of the assigned and transferred TSCs. If, after the expiration of the TSC’s term, the NPC successor generating company shall continue to supply the requirements of the affected DU under an extension as allowed by the ERC, the obligation to provide the MRR shall cease, unless otherwise stipulated upon by the NPC successor generating company and the affected DU, in which case the cost of implementing the MRR shall be borne by the NPC successor generating company.”

H. Transition Supply Contracts (TSCs)

The EPIRA provided for NPC filing with the ERC of its TSCs duly negotiated with the DUs containing the terms and conditions of supply and corresponding schedule of rates, including adjustments and indexation formulas which shall apply to the term of such contracts. As provided for in Section 67 of the EPIRA the term of the TSCs shall not extend beyond one (1) year from the introduction of open access. Such contracts shall be based on the projected demand of such utilities less any of their currently committed quantities under eligible IPP contracts. Said provision further provides that the total generation capacity of the signed TSCs shall not exceed the level of NPC owned, controlled or committed capacity as of the EPIRA's effectivity. Such TSC shall be assignable to the NPC successor.

On 13 June 2008, 17 TSCs in Luzon and 7 in the Visayas together with a new contract with CASURECO IV were filed by NPC and were approved by ERC on 22 September 2009. In Mindanao, 24 TSC renewals were approved by the ERC on 3 August 2009. From 2005 to 15 October 2009, there are already 121 TSCs approved by the ERC, where 57 are in Luzon, 32 in the Visayas and 32 in Mindanao. NPC adopted the same format for the Contract for the Supply of Electrical Energy (CSEE) with the ERC-approved template for its other directly-connected customers such as large industrial customers. To date, there are already 125 non-DUs connected with NPC through CSEE. Seventy-three (73) TSCs and CSEEs were assumed by NPC-SGCs of the 11 privatized NPC plants while 54 TSCs and CSEEs with a total equivalent demand

⁴ A Resolution Amending Resolution No. 16 Series of 2008

of 2,542 MW will be transferred to SMEC and Therma Luzon, the respective IPPAs of Sual and Pagbilao contracts.

Total equivalent demand of TSCs approved by ERC is shown in Table 23 while the corresponding NPC/PSALM capacity eligible for TSC are in Table 24 .

Based on NPC report, with the transfer of the contracted capacities of Sual (1,000 MW) and Pagbilao (700 MW) to the new IPP Administrators, its total capacity eligible for TSC is 7,164.66 MW in 2009, 6,192.64 MW in 2010 and 5,851.86 in 2011.

There are growing concerns on the part of NPC/PSALM on how it can fulfill its obligations in the TSCs/CSEE in view of the continued privatization of its generating assets and IPP contracts. Based on the NPC

submissions, its eligible capacity is not sufficient to fulfill its TSC/CSEE obligations (equivalent demand). This is already apparent particularly in the Visayas where its capacity eligible for TSC is equivalent to 899.79 MW while the projected demand of DUs and other customers with TSC is equivalent to 968.82 MW which is a clear deficit of 68 MW. In addition to the continuous privatization, NPC/PSALM's is also having difficulty in turning over to NPC-SGCs certain TSCs/CSEEs due to their refusal on account of factors such as unviable rates in the case of discounted rates to

Table 24 - NPC/PSALM Capacity Eligible for TSC, 2009 - 2011 (MW)

Grid	2009	2010	2011
Luzon	4,707.46	3,965.46	3,685.46
Visayas	899.79	661.35	576.65
Mindanao	1,557.40	1,565.82	1,689.75
Philippines	7,164.66	6,192.64	5,851.86

Source: NPC

Table 23 - NPC Transition Supply Contract 2009-2011

Grid/ Customers	Yearly Equivalent Demand, MW		
	2009	2010	2011
Luzon	3,375.68	2,232.05	1,976.41
DUs	2,817.03	1,890.72	1,635.09
Ecozones	247.03	181.74	181.74
Industries	298.68	157.34	157.34
Misc/Govt.	12.94	2.24	2.24
Visayas	968.82	807.99	779.56
DUs	852.37	732.86	732.86
Ecozones	21.00	24.00	24.00
Industries	93.68	48.23	22.70
Misc/Govt.	1.77	2.89	-
Mindanao	1,375.29	1,333.30	1,096.42
DUs	1,171.98	1,109.20	971.20
Ecozones	0.01	0.014	0.01
Industries	234.93	229.71	124.40
Misc/Govt.	1.08	1.08	1.08

Source: NPC

industrial entities and delinquent customers among others. The inability of PSALM to do so will aggravate financial condition of NPC with the attendant penalties and legal consequences should it fail to fulfill its obligations in the TSCs/CSEEs.

I. Lifeline Rate Subsidy Program

As of the report period, the ERC has approved modifications of lifeline level and discounts for Visayan Electric Company (VECO), Tarlac Electric Incorporated (TEI) and Angeles Electric Corporation (AEC). It can be noted that the ERC approvals provided for a 100 percent discount to customers consuming 20 kWh and below. Details for the new lifeline rates of the abovementioned DUs are shown in Annex 6.

IV. COMPETITION

This Section provides an update on the commercial operation of the electricity market including the initiatives for its improvement in preparation for the tender and transfer to an Independent Market Operator (IMO).

A. Wholesale Electricity Spot Market (WESM) Implementation

After 40 months of WESM commercial operations in Luzon, there are already 13 generating companies who are directly participating in the WESM, 11 distribution companies while there are 5 registered direct suppliers. The latest direct WESM members in the distribution sector are Tarlac I Electric Cooperative, Inc., Isabela Electric Cooperative, Inc. which were both approved on 26 July 2009 and Nueva Ecija Electric Cooperative II-Area I (NEECO II-Area I) whose membership was approved on 26 August 2009.

To date, there are three applications for direct membership are being evaluated. These are Ilocos Sur Electric Cooperative, Inc. (ISECO), Cagayan I Electric Cooperative, Inc. (CAGELCO I), and Cagayan II Electric Cooperative, Inc. (CAGELCO II). To date, CAGELCO I is having discussions with its power supply with SNAP-Magat, Inc. for management of its bilateral power supply contract once it becomes a Direct WESM Member.

On the generators registration, Therma Luzon Inc., (TLI) was approved as direct member effective 01 October 2009. TLI will be trading the Pagbilao Coal Thermal Power Plant as IPP Administrator. Meetings have been conducted with San Miguel Energy Corporation the IPPA selected for the Sual Coal Thermal Power Plant in San Manuel, Pangasinan for their registration.

1. Highlights of Luzon Commercial Operations

For the duration of the covered period, demand for the billing months of May to September 2009 was relatively high, as hot weather conditions were experienced despite the occurrence of low pressure areas and typhoons as early as May 2009. Average demand levels were highest in July 2009, posting 5,258MW. Maximum demand for the 5-month period was registered at 6,932 MW on a hot day of 26 May 2009 at 2pm and this is expected as the highest peak demand for the Luzon grid for 2009.

Average energy offers submitted by the WESM-registered generators were highest in September 2009 at 7,007MW. High availability of energy supply is evident considering the higher quantities of generator offers that resulted to ample supply margins in the market. Average energy offers were lowest in August 2009. Aside from planned and forced outages, energy offers in August 2009 were also affected by the natural gas supply limitation from the Malampaya gas platform which consequently limited the generating capacity of the natural gas plant units from 1400H August 4 to 0200H August 5, 2009.

Table 25 - Summary of Market Results

Billing Month	Peak Demand (MW)	Coincident Energy Offers (MW)	Average Demand (MW)	Average Energy Offers (MW)	Average Capacity on Outage (MW)
May 2009	6,842	7,493	5,157	6,788	1,250
Jun 2009	6,932	7,374	5,203	6,876	1,432
Jul 2009	6,819	7,482	5,258	6,875	980
Aug 2009	6,833	7,263	5,255	6,692	1,577
Sep 2009	6,870	7,044	5,228	7,007	1,506
Oct 2009	6,501	6,532	4,935	6,511	2,427

Source: PEMC

Table 26 - Metered Quantities: Energy Mix (in Percent)

Billing Month	Hydro	Geothermal	Coal	Natural Gas	Diesel/Oil	Wind
May 2009	11.4	8.9	29.6	45.0	4.9	0.17
Jun 2009	14.3	8.5	26.9	45.9	4.4	0.08
Jul 2009	13.9	8.3	30.6	45.8	1.4	0.04
Aug 2009	17.9	7.7	26.9	43.9	3.4	0.04
Sep 2009	17.0	7.1	24.7	47.6	3.6	0.04
Oct 2009	21.5	8.1	20.6	46.8	2.9	0.11

Source: PEMC

Energy contribution from hydro plants improved considerably from 11.4 percent in May to 17.9 percent in August as a result of extensive rainfall from the monsoon rains and typhoons while diesel/oil-based plants was highest in May at 4.9 percent and lowest in July at 1.4 percent while contributions from diesel/oil-based plants were mainly due to its continuing nomination by SO-NGCP as must-run unit to address the N-1 contingency requirements of the grid, particularly at the San Jose Substation in Bulacan.

Energy consumption rebounded during the period posting the highest energy consumption in August at 3,671 GWh. Luzon energy consumption covered by bilateral contract quantities (or BCQ) posted an average of 87 percent and ranged from a low of 84 percent in August to a high of 90 percent in July. Conversely, spot market quantities were highest in August at 16 percent and lowest in July at 10 percent. On average, the spot market quantity for the period is 13 percent.

Table 27 - Metered Quantities: Energy Consumption

Billing Month	Metered Quantity (MWh)	Spot Quantity (MWh)	Percent	Bilateral Quantity (MWh)	Percent
May 2009	3,463,438.29	516,030.34	14.9	2,947,407.95	85.1
Jun 2009	3,608,313.89	475,456.08	13.2	3,132,857.82	86.8
Jul 2009	3,538,571.31	357,675.26	10.1	3,180,896.05	89.9
Aug 2009	3,671,459.51	586,189.83	16.0	3,085,269.69	84.0
Sep 2009	3,652,903.81	486,078.85	13.3	3,166,824.96	86.7
Oct 2009	3,347,101.84	512,979.44	15.3	2,834,122.40	84.7

Customer Effective Buying Prices of spot market quantities in the WESM during the covered billing months ranged from a minimum of PhP2,080.29/MWh in September 2009 to a maximum of PhP3,294.88/MWh during the July 2009 billing month, when total spot market volume is at its lowest while Generator Effective Selling Price was highest in May at PhP2,516.38/MWh and lowest in September at PhP1,148.78/MWh

Lower market clearing prices continue to manifest in the market, particularly during the off-peak periods, as higher supply availability continues to be experienced in the market. With the implementation of the Price Substitution Mechanism for congestion, the impact of congestion prices are also mitigated. The Customer Effective Buying price is also expected to be reduced to the level of the Generator Effective Selling Price with the 100 percent flow-back of the net settlement surplus which was implemented during the period.

Table 28 - Effective Settlement Prices

Billing Month	Buying Price (w/ Surplus), PhP/MWh	Selling Price (w/o Surplus), P/MWh
May 2009	2,871.07	2,516.38
Jun 2009	2,519.61	2,207.39
Jul 2009	3,294.88	2,041.02
Aug 2009	2,291.13	1,986.39
Sep 2009	2,080.29	1,148.78
Oct 2009	1,445.37	1,396.63

2. Visayas Trial Operations

The LDO program is the final phase of the Trial Operations Program (TOP) and serves as the final phase of preparation for commercial operation. It is the actual implementation of the Security-Constrained Dispatch Schedule (SCED) produced by the Market Dispatch Optimization Model (MDOM) in the Market Management System (MMS) without any financial settlement.

The LDO is intended to enable the Trading Participants, the System Operator and the Market Operator (MO) to perform their respective roles and responsibilities in preparation for the WESM Commercial Operation. It is also intended to finalize testing of all interfaces to the MMS, including WESM procedures and protocols, as well as to address operational issues that have arisen that may impact on the commercial operations of the WESM.

However, on March 24, 2009, with permission from the Department of Energy, the MO has issued a notice of the temporary conclusion of the WESM TOP in Visayas and suspension of the LDO while preparations and implementation of the Visayas Supply Augmentation Auction (VSAA) program is underway.

3. Visayas Supply Augmentation Auction

After consultations with various power stakeholders in the Visayas, the ERC on 24 August 2009 came out with its decision on ERC Case No. 2009-015 RC approving the application filed by PEMC for the approval of the Pricing and Cost Recovery Methodology and the Structure Level of Administration Fees, with a

Prayer for Issuance of Provisional Authority for the Visayas Supply Augmentation Auction (VSAA).

It can be recalled that the VSAA was envisioned by the DOE as an interim measure to support in the problematic electric power supply in the Visayas Grid while awaiting the operation of new generation plants and also to further preparations for the eventual commencement of the commercial operation of the WESM in the area.

However, after the approval of the application, it was found out that the approval was different from what was applied and PEMC cannot implement the said measure. The reason is that ERC required the use of WESM Market Dispatch Optimization Model (MDOM) which, however, is based on fundamentally different rules and procedures. Further, it also effectively makes the VSAA program a mechanism for procurement by the NPC of power supply to serve its transition supply contracts as well as the deficit caused by other generators or independent power producers. Summarized in Table 29 are the inconsistencies with regards to the PEMC application and the ERC approval.

With such variations, the DOE has discussed with the ERC regarding the implications of the approval. The PEMC on 01 October 2009, filed a motion for reconsideration with ERC seeking for approval of the methodology as originally applied for. While awaiting for the approval of the motion, PEMC will continue its internal readiness activities and coordination with the Visayas System Operator in preparation for the implementation of the VSAA.

With the introduction of the VSAA, there have been some discussions on the possibility of extending or implementing the same program in the Mindanao given also the scarcity of power supply in the region. Currently, however, this is still being discussed and further conceptualization can be done depending on the results of the implementation of the VSAA.

Table 29 - Comparison of VSAA Application vs. ERC Approval

AS APPLIED	AS APPROVED	IMPLICATIONS OF ERC APPROVAL
Cebu, Negros and Panay	Entire Visayas grid	Will have minimal impact because there is no supply deficit in Leyte-Samar-Bohol
Participants include – Grid-participants (generators, large users and DUs/ECs) Embedded generation and interruptible loads	Grid-participants only Embedded participants are explicitly excluded	Drastically reduces effectiveness of VSAA which is designed specifically to tap embedded generation and interruptible loads
Voluntary participation	Voluntary participation of augmentation providers (generators & interruptible loads) Mandatory participation of customers (DUs & directly connected customers)	Effectively makes the program mandatory for all customers If NPC will pay for supply augmentation – effectively requires NPC to pay for deficit caused by other generators or IPPs
Supply deficit covered is only for participating customers	Supply deficit covered is for entire Visayas grid	
Embedded generation and interruptible loads within DU	DUs can implement their own de-loading program	Separate approvals will delay the participation of the DUs

Table 29 - Comparison of VSAA Application vs. ERC Approval

AS APPLIED	AS APPROVED	IMPLICATIONS OF ERC APPROVAL
franchise can participate directly in VSAA No separate approval for DU recovery mechanism	similar to the ERC-approved program for VECO DUs required to seek ERC approval to implement de-loading program	
Cost of supply augmentation and administration fees will be shouldered by participating customers in proportion to the level of deficit served DUs will recover from end users as part of generation cost recovery	Cost of supply augmentation and administration fees will be shouldered by NPC	NPC may end up paying for cost of augmentation of deficit that is attributable to other generators/IPPs Effectively makes VSAA mechanism for NPC procurement of power to serve its contracts and deficit of other generators
Pay-as-bid settlement for augmentation providers Scheduling and dispatch processes will use VSAA software developed by PEMC	Locational marginal pricing determined using WESM Market Dispatch Optimization Model (MDOM) MDOM audited and approved for WESM will be used	MDOM is based on WESM Rules and Price Determination Methodology (PDM) which are fundamentally different from VSAA Rules and pricing/cost recovery methodology MDOM does not generate feasible dispatch and prices under deficit conditions MDOM operates Luzon and Visayas as a single market ERC approval will require MDOM re-design which is costly and will take longer time to implement

Source: PEMC

4. WESM Governance

The governance and operations of the WESM is currently being undertaken by the Philippine Electricity Market Corporation (PEMC). PEMC, through the Board of Directors (PEM Board) and the various governance committees and units, serves as the governance arm of the WESM. It was also constituted as the Autonomous Group Market Operator (AGMO) pursuant to Section 30 of the EPIRA. As mandated in the EPIRA Implementing Rules and Regulations, the DOE Secretary serves as the Chairman of the Board of PEMC.

The EPIRA requires that an independent market operator (IMO) shall be formed and the functions, assets and liabilities of the AGMO shall be transferred to said IMO upon joint endorsement of the DOE and the electric power industry participants.

In June 2009, the PEM Board was reconstituted to reflect equitable representation from each sector of the electric power industry as provided in the WESM Rules. This is in preparation for the transfer of operations to an Independent Market Operator (IMO).

Anent to this, an independent audit of the Market Operations was initiated and is currently on its last stages. This audit is intended to reinforce the Trading

Participants' confidence in the transparency and adequacy of the operation of the Wholesale Electricity Spot Market (WESM).

Meanwhile, following summary of the activities undertaken by the various WESM Committees for the report period:

Market Surveillance Committee

- endorsed to the PEM Board request for investigation for 1) Possible non-compliance with the Must-Offer Rule for the period May 2007 to December 2007, and 2) Possible non-compliance with the RTD Schedule/Instruction for the month of June 2008
- monitoring of possible non-compliances to the WESM Rules such as 1) Must-Offer Rule for the period December 2007 to November 2008, November 2008 to April 2009, and April to August 2009, and 2) RTD Schedule/Instruction for the period July to September 2008 and September 2008 to January 2009
- With the submission by the to the MSC of, the MSC has conducted an ongoing evaluation of the two (2) investigation reports submitted by Enforcement and Compliance Office (ECO)
- Discussed with relevant stakeholders market issues, such as: i) possible breaches of the WESM Rules; ii) market intervention and suspension; iii) pricing error notices due to major transmission network congestions; iv) overriding constraints; and v) minimum stable load and ramp rate of generating facilities issues.

Rules Change Committee

- Conducted a Planning Workshop on 29 April 2009 and drafted its 2009 Work Plan as the output of the activity
- Discussed proposals to amend the WESM Rules and Manuals during the period May – July 2009 as follows:
 - ✓ amendments to the process of implementing new or modifying existing software for the WESM.
 - ✓ harmonization of the ERC Guidelines and WESM Manual on Net Settlement Surplus.
 - ✓ changes to the rules on information disclosure and transparency.

Technical Committee

- finalized and submitted to the RCC its revised proposed amendments to the WESM Rules to harmonize the definition of RE under EPIRA, EPIRA-IRR, RE Law, RE-IRR, as well as the impact of RE in the reliability and security of the transmission system.

- submitted its comments on the revised Certificate of Compliance (COC) Rules for consideration of the ERC
- on-going review of the WESM Manual for the Management of Must-Run Units (MRU) particularly on the criteria for nominating MRU.

PEM Audit Committee

The PAC is tasked to conduct annual audits of the market operator, settlement systems, and any other procedures relevant to the spot market has commenced the first comprehensive audit in August 2009, under the supervision of the DOE. The Independent Operational Audit of the Systems and Procedures on Market Operations aims to review and assess the processes of the market management systems, market models, software, billing and settlement system, emanating from the submission of generation offers/bids up to the dispatching, and publication of market information under the WESM Rules for the period June 2007 – July 2009.

In line with the government policy to ensure efficient and transparent conduct of the audit process, the DOE created the WESM Audit Technical Working Group (TWG) on 01 June 2009 to support the PAC in the hiring of the External Auditor and implementation of the audit. The TWG chaired by the DOE is composed of the representatives from the DOE and the Philippine Electricity Market Corporation (PEMC).

In May 2009, the PAC commenced the selection process for the hiring of the external auditor. The transparency of the competitive bidding was ensured through the rules and instruction to bidders set out in the Request for Proposal (RFP), including the participation of the various government and other agencies throughout the selection process. The quality-cost based selection process involved the publication of Expressions of Interest (EOI), short-listing of received EOI, release of Requests for Proposals (RFP) to shortlisted firms, technical and preliminary bidding conferences, technical and financial evaluation.

Following the selection and evaluation processes, Deloitte Australia was selected to undertake the audit. Deloitte Australia is a member of Deloitte Touche Tohmatsu, servicing clients in the areas of audit, assurance and advisory, taxation, corporate finance and consulting. Deloitte will be working with its local partner Deloitte Philippines-Manabat Delgado Amper and Co., and Intelligent Energy Systems Pty Ltd (IES), an Australian company that provides advisory services and software solutions to organization in energy markets. The audit commenced in August 2009 and is expected to be completed by December 2009.

5. Electric Cooperative's Participation in the WESM

To date, there are 10 ECs who are direct WESM members, 7 indirect members, while 7 are intending to be members. Among the 43 ECs in Luzon, 19 are non-WESM members.

A Memorandum of Agreement (MOA) was entered into by and between PEMC and the National Electrification Administration (NEA) with the primary objective of promoting the empowerment of the electric cooperatives under the jurisdiction of NEA to manage efficiently their electricity supply requirements in a deregulated and competitive power industry through market-based initiatives.

These initiatives are aimed at the least-cost procurement of generation, reduction of EC dependence on the Default Wholesale Supply program and promote pro-active load management during supply scarcity. The MOA covers the following principal areas of cooperation:

- a. Capacity Building for ECs. This involves providing training and education to the ECs to enhance their competence with the objective of preparing them for the eventual termination of the Default Wholesale Supply program, and for participation in the WESM either as direct or indirect member.
- b. Promoting WESM and VSAA Participant Registration. This involves providing assistance to ECs in applying for registration to participate in the WESM, either as Direct or Indirect WESM Members, or in the VSAA. Assistance includes providing orientation to the ECs and their respective officers and constituents as maybe appropriate on the requirements for WESM or VSAA registration, as well as assistance in completing and complying with registration requirements.
- c. Provision of Participant Prudential Guarantee for WESM and VSAA Participation. In line with the WESM's policy of ensuring prompt settlement of WESM transactions, this involves providing assistance to enable ECs participating in the WESM or in the VSAA to comply with prudential requirements and the prompt settlement policy.

Meanwhile the PEMC and the Local Government Unit Guarantee Corporation (LGUGC) are in discussion for the provision by the LGUGC of guarantee arrangements to support the prudential requirements of ECs in the WESM. The LGUGC is a private financial credit guarantee institution with primary goal to make private financial resources available to creditworthy local government units (LGUs) through its credit guarantee. LGUGC's credit enhancement facilitates the entry of LGUs with infrastructure development projects in the capital market. LGUGC extended its guarantee services to water districts, electric cooperatives, state universities and colleges, and renewable energy technology projects. Draft guidelines with regards to the PEMC and LGUGC agreements have already been formulated and are currently undergoing review by both parties.

B. Open Access and Retail Competition

The fulfillment of the fourth EPIRA imposed pre-condition to open access and retail competition has been realized after DMCI Holdings, Inc. won the sale of the Calaca Coal Fired Thermal Power Plant. It was a remarkable accomplishment for the government after the first buyer of the said plant the Emerald Energy Corporation, terminated its contract for its purchase. To date, the privatization of the NPC

generating assets reached to a level of 82.77 of the aggregate capacity in Luzon and Visayas as of October 2009 after SPC Power Corporation acquired the 55-MW Naga Land-Based Gas Turbine (LBGT) Power Plant in a negotiated sale with PSALM. Of that figure, 56.54 percent has been fully paid and turned over to the new owners.

Meanwhile, the last requirement that the government should get done is the privatization of 70 percent of the outputs of NPC-IPPs. On 28 August 2009, the government successfully bidded out the 1,700 MW NPC-IPP contracts for Sual and Pagbilao Coal Fired Power Plants. This put the level of accomplishing this requirement to 34.7 percent.

The ERC also reported that they have been preparing the guidelines in preparation for open access. The drafting of the Dispute Resolution Procedures for Retail Competition is ongoing. The set of rules provides the prompt resolution of disputes concerning transaction in the competitive retail market and ensures an opportunity for unprejudiced dispute resolution. The ERC is likewise in the process of drafting the Rules on Retail Aggregation in preparation for retail aggregation, which will take place two (2) years after the initial implementation of retail competition.

With respect to the petition on the interim open access filed by the Philippine Independent Power Producers Association (PIPPA) before the ERC, the ERC has issued a Decision on September 14, 2009 after considering the Motion for Reconsideration filed by MERALCO on December 19, 2008 praying to clarify several issues considered in the original ERC decision as follows:

- (a) Eligible DUs be allowed to adjust the Transition Supply Contracts (TSC) contracted volumes for the movement of customers into and out of the Power Supply Option Program (PSOP) to ensure that it would have no detrimental effect on the customers of the Distribution Utilities (DUs) not participating in the program;
- (b) In the absence of the express prohibition thereto, the participation of the DU's Local Retail electricity Supplier (RES) as a potential Eligible Supplier for PSOP should be allowed; and
- (c) The treatment of the distribution losses should be clarified.

According to the discussions, the supply scheme proposed by MERALCO permits the automatic modification of the TSCs, either by way of increase or decrease in contracted volume whichever the circumstance requires without the consequent payment of penalty or buy-out fee on the part of the DU in situations where its customers avail the PSOP. All TSCs between the NPC and DUs contain a buy-out provision, wherein the DU is subjected to a buy-out or pre-termination fee should it reduce its contracted volume or pre-terminate the TSC. The TSC only allows for the non-payment of the buy-out fee for reductions attributable to the open access and retail competition. On the other hand, MERALCO's TSC has features distinct from TSCs of other DUs, such that reduction due to disconnection or termination of the electric service of a commercial/industrial customer of MERALCO due to business

closure. Although TSC contracted capacities may be adjusted upon agreement between the contracting parties.

With regards to the participation of the Local RES as Eligible Supplier, the ERC sees no reason to allow the Local RES to operate under the PSOP inasmuch as all customers of the DUs within their franchise areas remain captive customers and the rates to be implemented still to be approved and regulated by the Commission. In its decision, the ERC granted the clarifications sought by MERALCO on the accounting and treatment of distribution system losses for participants of the PSOP. The considerations sought relating to the automatic adjustment of the TSC contracted quantities and inclusion of the Local Retail Electricity Suppliers (RES) in the PSOP were denied for lack of merit.

The PSOP shall commence ninety (90) days after completion of either (a) Transfer of the operation of the Calaca NPC Generation Assets to the private generation company concerned or its equivalent in terms of capacity; or (b) the privatization of at least 70 percent of the total capacity of generating assets of NPC in Luzon and Visayas.

C. Market Power Monitoring

Monitoring of market power in the electric power industry is pursuant primarily to Section 45 (a) of the EPIRA which provides that no company or related group can own, operate or control not more than 30 percent of the installed generating capacity of a grid and/or 25 percent of the national installed generating capacity.

On 14 December 2005, the ERC issued Resolution No. 26, series of 2005, adopting the Guidelines for the Determination of Installed Generating Capacity in a Grid and the National Installed Generating Capacity and Enforcement of the Limits on Concentration of Ownership, Operation or Control of Installed Generating Capacity under the EPIRA. As provided under Section 3 of the said guidelines, the ERC shall adjust the installed generating capacity per grid, the national installed generating capacity, and the market share limitations every 15th day of March of the succeeding year and/or as often as may be necessary based on the maximum capacity of the power plants as submitted by the generation companies and other entities that are required by the ERC to submit reports.

The latest adjustment is based on ERC Resolution No. 4, Series of 2009 which will be enforced until March 2010 which provides for capacity limitations as indicated in Table 30.

Based on ownership, First Gen Corporation has significantly expanded its market share in Luzon and Visayas 19.4 percent and 57.8, respectively, with its purchase of the government's major geothermal assets particularly in the Visayas. This is after the company purchased the Philippine National Oil Company-Energy Development Corporation (PNOC-EDC) which owns the 610 MW Tongonan II & III and the 49MW Northern Negros Geothermal Power Plants in Leyte and Negros respectively and on 28 August 2009, they also won the 112 MW Palinpinon and 80 MW Tongonan

Geothermal Power Plants. While most of these power plants' ownership is attributed to the First Gen, it's output is still under Power Purchase Agreement with NPC. With NPC still operating the abovementioned plants and NPC-IPPs are still under PSALM will remain as the dominant player in power generation with a total of 42 percent share in the Visayas or 32.77 percent of the national installed generating capacity.

NPC's share in Luzon went down to 4.2 percent in Luzon, 20.41 percent in the Visayas, while still at the old level in Mindanao since, the grid is still exempted from the privatization requirements of the EPIRA except for the Agus III hydro power complex. Generally, NPC is now down from the national share of 31 percent prior to privatization to only 10.96 percent after the latest sale of Panay DPP I & II and the Bohol DPP and Palinpinon and Tongonan, all in the Visayas.

Table 30 - Capacity Limitations, March 2009-March 2010

Grid	Installed Generating Capacity (kW)	Market Share Limitations as per RA 9136 (in percent)	Installed Generating Capacity Limit (kW)
Luzon	10,664,228.00	30	3,199,268.40
Visayas	1,645,315.40	30	493,594.62
Mindanao	1,729,576.00	30	518,872.80
National	14,039,119.40	25	3,509,779.85

Summarized on Table 31 is the share of major generating companies in the country based on the DOE data of existing power plants:

Table 31 - Market Share by Ownership

Owner	LUZON		VISAYAS		MINDANAO		PHILIPPINES	
	MW	Percent Share	MW	Percent Share	MW	Percent Share	MW	Percent Share
PSALM	3,653.68	30.7	772.28	42.1	712.48	36.8	5,138.44	32.8
First Gen/Gas	2,316.38	19.4	373.85	20.4	1.60	-	2,961.83	17.2
Aboitiz Group	2,090.49	17.5	119.7	6.5	72.39	3.7	2,282.58	14.6
NPC	506.00	4.2	96.00	5.2	1,116.80	57.8	1,718.80	11.0
San Miguel	1,914.00	16.1					1,914.00	12.2
DMCI	600.00	5.0					600.00	3.8
AES	600.00	5.0					600.00	3.8
SPC			209.11	11.7			209.11	1.3
ATLAS			134.60	7.3			134.60	0.9
PPC Global			112.48	6.1			112.48	0.7
Northwind	33.00	0.3					33.00	0.2
Minergy					19.90	1.0	19.90	0.1
Others	202.97	1.7	14.01	0.8	10.25	0.5	227.23	3.0
TOTAL	11,916.52	100.00	1,832.03	100.0	1,933.42	100.0	15,681.97	100.0

Note: Details may not add up to totals due to rounding-off.

With regard to other private IPPs, the Aboitiz Group has increased considerably its share to 17.5 percent in Luzon after its purchased of major hydro and geothermal power plants namely Magat Hydro Power Plant, Ambuklao-Binga Hydroelectric Complex and Tiwi-Makban Geothermal Power Plants.

The DOE noted the need to harmonize concepts and definitions in the computation of markets shares in view of the ERC guidelines and market share limitations. A comparison of the DOE and ERC data with regards to the installed generating

capacity of the power plants were made but was limited only to those plants that are listed in ERC Resolution No. 4, Series of 2009. A difference of 1,154.6 MW was noted.

In order to come up with consistent figures based on a widely and generally accepted definition, the DOE initiated a survey on all power generators. The said survey required the plant owners to provide basic plant information particularly on installed generating capacity, dependable capacity, and available capacity and rated capacity. The figures were required to be provided with details such as seasonal plant condition specifically for wet and dry season including averages for a year. The DOE is currently waiting for the submission of other power generators for the completion of the data and once completed, the DOE will post the survey result at the DOE website for public consumption. The said survey will give way for the DOE's policy in the determination of the power industry participant's compliance to abovementioned Section 45 (a) of the EPIRA.

V. ENERGY SUPPLY SECURITY AND RELIABILITY

This section presents the country's power supply and demand situation for the first half of 2009 and the status of power generation, transmission and distribution projects as of the period under review.

A. Electricity Generation

Electricity generation for the first semester of 2009 was 0.4 percent or 113 GWh lower than it was in the same period of 2008. Natural gas-fired power plants continued to dominate in electricity generation, accounting for 31.4 percent of the country's total gross generation. However, with the Malampaya Gas restriction last 16 February to 12 March 2009 for Ilijan, and 15 April 2009 for San Lorenzo and Sta Rita, generation from natural gas decreased by 657 GWh or 6.5 percent compared to the same period last year.

Coal-fired power plants remained the second largest contributor in the power generation mix at 28.4 percent, equivalent to 8,547 GWh. This was higher by 11.2 percent or 857 GWh from 7,689 GWh of 2008.

Geothermal-based generation was down by 2.0 percent, from 5,383 GWh in 2008 to 5,274 GWh in 2009 due to outages of some units of Leyte A geothermal power plant in the Visayas grid. Likewise, gross generation from hydroelectric power plants was lower by 8.3 percent or 386 GWh.

Reduced generation from geothermal and hydro electric power plants was augmented by the high utilization of oil-based power plants, resulting in the increased generation from oil-based power plants by 8.3 percent or 193 GWh.

Generation from new RE contributed a meager 0.1 percent or 22 GWh of the total generation mix.

Table 32 – Comparative Generation by Energy Resource (January to June)

Plant Type	2009		2008		Difference	
	GWh	% Share	GWh	% Share	GWh	%
Coal	8,547	28.43	7,689	25.48	857	11.15
Oil-based	2,516	8.37	2,322	7.70	193	8.33
Natural Gas	9,438	31.39	10,095	33.45	(657)	(6.51)
Geothermal	5,274	17.54	5,383	17.84	(109)	(2.03)
Hydro	4,268	14.20	4,654	15.42	(386)	(8.29)
New RE	22	0.07	33	0.11	(11)	(33.55)
Total	30,064		30,177			(0.37)

Note: 2009 Preliminary data Jan-Jun

New RE includes Wind, Solar and Biomass

The country's self-sufficiency level for the first semester of 2009 was 63.2 percent lower by 5.4 percent from 66.8 percent in 2008 due to decreased production from Ilijan, Sta Rita and San Lorenzo gas-fired power plants.

The share of NPC to the total generation decreased by 10.4 percent as the privatization of NPC-owned plants progresses. This development in turn increased the contribution of non-NPC plants by 4.4 percent, from 9,539 GWh in first semester of 2008 to 9,964 GWh in the same period of 2009. Gross generation from NPC-IPP and NPC-SPUG also went up by 0.98 percent and 6.67 percent, respectively.

Table 33 – Comparative Generation by Ownership (January to June)

OWNER TYPE	2009		2008		Difference	
	GWh	% Share	GWh	% Share	GWh	% Share
NPC	5,910	19.66	6,598	21.86	(688)	(10.42)
NPC-SPUG	234	0.78	219	0.73	15	6.67
NPC-IPP	13,957	46.42	13,821	45.80	136	0.98
Non-NPC	9,964	33.14	9,539	31.61	424	4.45
Total Philippines	30,064		30,177		(113)	

Electric power generation from NPC-IPP contributed the largest share at 46.4 percent or 13,957 GWh. This was followed by non-NPC at 33.1 percent or 9,964 GWh. NPC accounted for 19.7 percent or 5,910 GWh of the total generation. The share of NPC-SPUG to total generation remained unchanged at less than one percent.

B. Transmission Projects

In the transmission sector in Luzon, the Luzon Transmission Line Upgrading I (San Manuel-Concepcion-Mexico T/L and S/S) aims to maintain the provision for N-1 on the San Manuel-Concepcion-Mexico transmission corridor to allow unconstrained dispatch of the power plants in Northern Luzon. The tripping of the Pantabangan-Cabanatuan 230 kV line is the critical event that would lead to the overloading of the existing lines. Without this project, the situation may be remedied by reducing the generation dispatch in north Luzon by as much 19% to 33% of the total generation capacity, for the period 2005 to 2010. North Luzon Upgrading Project 1 T/L (San Manuel-Concepcion-Mexico T/L) Line 2 was energized on April 15, 2009 while Line

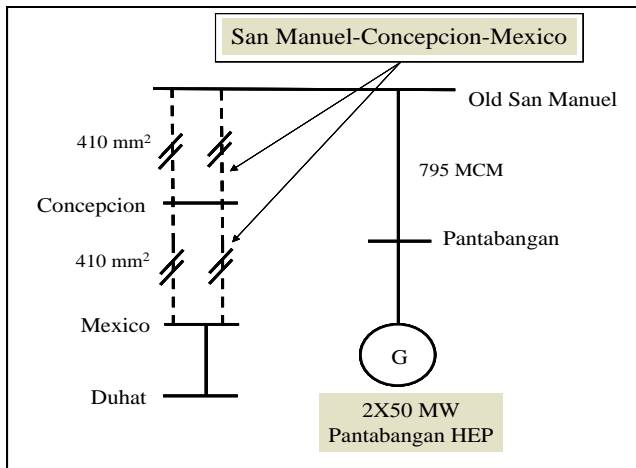


Figure 4 – North Luzon Upgrading Project 1 T/L

1 was on June 19, 2009. North Luzon Upgrading Project 1 S/S (San Manuel-Concepcion-Mexico) new 100 MVA PT(T1) was energized April 15, 2009 while the relocated PT (T2) was energized on May 9, 2009.

In the Visayas, civil works and supply/delivery of materials are on-going with regard to the Northern Panay Backbone Project. This project is part of the Panay Power Transmission Backbone

Project which is divided into northern and southern Panay. The Northern Panay Transmission Project involves the installation/construction of a total of 107 kilometers of 138 kV and 69 kV overhead transmission line utilizing steel tower structures and aims to: (1) accommodate load growth and address the low voltage problem; (2) improve the system reliability and operational flexibility; and (3) extend service to previously un-electrified areas.

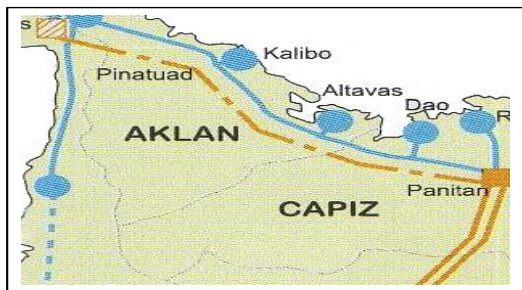


Figure 5 - Northern Panay Backbone Project

In the Mindanao Grid, of the three transmission projects that composes the Mindanao 230 kV Backbone Transmission, the Maramag (Pulangui) – Bunawan 230 kV T/L is approximately 80.0 percent completed. The Mindanao 230 kV Backbone Transmission is aimed to strengthen the existing transmission system, thereby ensuring the stability, reliability and efficiency transmission of power in the entire Mindanao Grid. The proposed

transmission network, which will be initially energized at 138 kV level, will also enhance the transmission integrity even at the weakest node of the system, especially during contingency condition. Project components Bunawan S/S Expansion and the Tagoloan S/S Expansion were energized September 13, 2009 and October 25, 2009 respectively.

Mindanao 230 kV Backbone Transmission Project



C. ERC-Approved Capital Expenditure Projects - Within The Period Under Review

A total of PhP729.8 Million pesos Capital Expenditures (CAPEX) projects applied by the DUs were approved by the ERC for the period May - October 2009. These projects are for system development, i.e., to address load

growth; compliance to the requirements of the Philippine Grid Code and Philippine Distribution Code; distribution load improvement of various sections of distribution system; operation and maintenance enhancement; and emergency CAPEX due to road widening. Annex 9 shows the project descriptions and rationale of each project.

VI. TOTAL ELECTRIFICATION

The total electrification program is one of the mechanisms to support the Government's efforts to alleviate poverty and rural development. Towards this end, the DOE launched a massive and focused action to increase and accelerate access to electricity services by the country's unenergized communities.

In order to fast track the electrification efforts, the DOE continuously developed innovative and sustained policies and strategies that encourage greater private sector participation consistent with the power sector reforms embodied in the EPIRA, which led to the development of the Expanded Rural Electrification Program (ER Program) was established. The ER Program serves as the centrepiece program towards attainment of 100 percent barangays electrification by 2009 and 90 percent household electrification by 2017.

A. Accomplishments as of 30 September 2009

From 01 April 2009 to 30 September 2009, the ER Program pursued the electrification of 284 barangays. This makes the electrification level at 98.5 percent and 41,352 electrified barangays all over the country (Table 31). This accomplishment was spearheaded by the DOE, along with its attached agencies, and together with the private sector notably the IPPs, as part of their Corporate Social Responsibility Program, reducing the number of unenergized barangays to 628 nationwide.

B. Implementation Strategies

Electrification Program today faces various and bigger challenges than years before. A large portion of the remaining unenergized barangays are mostly remote and disperse and more difficult to electrify, requiring extensive resources, time and efforts. As such, the ER Program integrates the rural and missionary electrification efforts of the government in collaboration with the private sector, non-government organizations, and several donor-funded projects with the view to attaining the goals of the ER Program.

1. Public Sector Contribution

As part of its mandate, the Government continues to be the major contributor in delivering access to electricity services.

a. DOE Programs and Projects

Currently, the DOE has several programs to extend access to electricity services. Two of these are through locally-funded projects, namely: the Barangay Electrification Program (BEP), which provides cost-of-capital subsidies of renewable energy systems like Solar Photovoltaic (PV) Battery Charging Stations (BCS), individual Solar Home System, micro-hydro systems and wind turbine energy systems; and the Remote Area Electrification Subsidy (RAES) Program, which focuses on implementing reforms in the rural power sector as embodied under the EPIRA.

Table 34 - Barangay Electrification Status as of 30 October 2009

Region	Potential Barangays	Electrified Barangays	Unelectrified Barangays	Electrification Level (%)
CAR	1,176	1,148	28	97.62
I	3,265	3,264	1	99.97
II	2,311	2,264	47	97.97
III	3,102	3,097	5	99.84
IV-A	4,011	3,954	57	98.58
IV-B	1,458	1,414	44	96.98
V	3,471	3,436	35	98.99
NCR	1,695	1,695	-	100.00
SUB-TOTAL LUZON	20,489	20,272	217	98.94
VI	4,051	4,042	9	99.78
VII	3,003	3,003	-	100.00
VIII	4,390	4,285	105	97.61
SUB-TOTAL VISAYAS	11,444	11,330	114	99.00
IX	1,904	1,879	25	98.69
X	2,020	1,947	73	96.39
XI	1,160	1,157	3	99.74
XII	1,194	1,171	23	98.07
ARMM	2,459	2,304	155	93.70
CARAGA	1,310	1,292	18	98.63
SUB-TOTAL MINDANAO	10,047	9,750	297	97.04
TOTAL PHILIPPINES	41,980	41,352	628	98.50

The RAES Program involves the implementation of missionary electrification using innovative service delivery mechanism that ensures sustainability of the projects and greater ownership from the beneficiaries. The RAES adopts the Sustainable Solar Market Packages (SSMP) concept, which aims to facilitate the market development of solar PV systems through the provisions of technical assistance, market development support, and subsidies to qualified PV companies and consumers. It is expected that 276 barangays will be electrified under the RAES Program by the end of the year with six (6) Electric Cooperatives, one (1) Non-Government Organizations and one (1) Government Agency partnering with DOE for the RAES Projects. To operationalize the RAES Program, DOE shall provide capital subsidy to the partner organizations for the procurement of the systems while the implementor shall conduct the procurement of the Contractor which shall supply and install the systems to the target unenergized barangays.

2. Private Sector Participation

The success of the ER Program is being accomplished with support from the private sector.

a. Independent Power Producers

KEPCO has committed to electrify 600 off-grid barangays through “Adopt-a-Barangay” approach. Two Hundred Eight (208) of these barangays shall be electrified under SSMP approach that involves the clustering of unviable barangays and sitios in remote rural areas to develop commercially viable package for marketing and consumer financing of solar home systems. KEPCO provide grant financing for PV-electrification of key public facilities such as barangay halls, public schools, and streetlights in each cluster of barangays. To date, KEPCO SSMP Contractors have electrified 127 barangays with the electrification of 81 barangays to be completed by the end of the year 2009.

b. Qualified Third Party (QTP) Program

The EPIRA opened opportunities for private sector participation and investment in the rural electrification activities of Government. Specifically, Section 59 of the EPIRA and Rule 14 of the EPIRA-IRR stated that “the provision of electric service in remote and unviable villages that the franchised utility is unable to service for any reason shall be opened to other qualified third parties.” This means that once the concerned franchised holder deems the barangay/s unviable for it to serve (having negative impact on its financial and economic viability), then an electric service provider other than the adjacent distribution utility may be authorized to provide the electricity services, subject to approval or authorization by the ERC.

In compliance with its mandate, the DOE facilitated the following issuances:

- Department Circular DC 2004-06-006 on 18 June 2004 “Prescribing the Qualification Criteria for the QTPs.” This issuance is used as the basis for determining whether or not a certain interested non-governmental organization, a local government unit or a private firm, is qualified to participate in the missionary electrification program of the Government.
- Department Circular 2005-012-011 on 12 December 2005, the “Prescribing the Guidelines for the Participation of QTPs in the Provision of Electric Services in Remote and Unviable Areas” (QTP Participation Guidelines). This issuance complemented the earlier DOE Circular and set the guidelines to encourage investment by QTPs in remote and unviable areas consistent with the Missionary Electrification Program of the Government as prescribed in the Missionary Electrification Development Plan (MEDP).

- ERC Resolution No. 22 prescribed the rules and regulations to govern the operation of the QTPs and avilment of the UC-ME.

The DOE and ERC, along with other concerned Government agencies, are collaborating to facilitate the full development of the QTP Program.

c. PowerSource's Community Energizer Platform

A hybrid QTP project was initiated in 2005 in Rio-Tuba, Bataraza, Palawan. The project is a showcase of a public-private partnership consisting of DOE, KEPCO, PALECO and PowerSource. PowerSource is a private firm engages in small-scale energy generation with various attendant services to be offered to community entrepreneurs such as restaurant, movie showing, entertainment and educational training. The project uses innovative design of stand-alone electrification system by integrating basic elements of a sustainable electrification solution: (i) provision of a viable, cost effective generation platform; (ii) provision of a local distribution system; (iii) provision of a customer service facilities; and (iv) provision of a community development platform ensuring, at a minimum, integrated skills training, technology transfer and livelihood training leading to community-based enterprise creation.

ERC had issued its PA to Powersource on 31 March 2009 which embodied the following conditions: (i) operate as a QTP in Brgy. Riotuba, Bataraza, Palawan; (ii) implement the QTP Service Contract it has entered into with NPC with a full cost recovery rate (FCRR) of PhP20.66/kWh and a Socially Acceptable Retail Rate (SARR) of PhP8.50/kWh, which is the existing tariff rate for PALECO consumers; and (iii) recover from the UC-ME the difference between the FCRR and SARR. To date, a total of 1,132 households are being served 20 hours/7 days a week by Powersource's mini-grid system.

The DOE is assisting PowerSource in securing from the ERC its QTP status.

3. Foreign-Assisted Projects

Various donor-funded projects through grants/loans also contributed in the achievement of the total electrification target of the country. These grants are aimed at increasing access to electricity, better delivery of electricity services, capacity building for the energy sector, and, increase participation of private sector in the rural electrification efforts.

a. Rural Power Project

World Bank has approved in 15 October 2009, the extension of the Project for another two years from the original completion date of 31 December 2009 to 31 December 2011. The Project extension also provided additional financing of US \$40 Million to the Development Bank of the Philippines (DBP) for its

releasing activities to DUs for system rehabilitation, acquisition of sub-transmission assets, construction of mini-hydro systems, etc.

RPP Progress continued to show growth of PV systems marketed by Participating Companies (PCs). The cumulative number of households (HH) electrified through solar during the end of 3rd quarter 2009 increased from 5,117 HH to 5612 HH, while the QTP project in Rio Tuba had provided 1318 new HH connections, bringing the total to 6,930 HH. The cumulative number of PV systems installed in public facilities remained 396 during the quarter, thus bringing the total number of new connections to 7,326 compared to project target 10,000.

RPP also supported various activities for the electrification of barangays using solar PV systems under KEPCO and ECs commitment. RRP-supported activities included granting of incentives for market development to the Contractors to increase household connections, capacity building for the local technicians in the target barangays.

b. Solar Home System (SHS) Distribution Project

The PNOC implements the SHS Distribution Project with fund support from the Dutch Government. The Project seeks to install 15,000 SHS in selected regions in the country to induce countryside development. The Dutch Government provides 60 percent grant to the total system cost and the remaining 40 percent is being shouldered by the end-users.

c. Solar Power Technology Supports Project (SPOTS)

The Department of Agrarian Reform (DAR) undertakes the SPOTS which aimed to address poverty in the unenergized and off-grid agrarian reform communities (ARCs) through the introduction of appropriate solar PV applications for agricultural and rural enterprise. One of the project components was the solar electrification which involves provision of variety of solar packages (ie., home lighting, alternating current power supply systems for various agribusiness uses, level II potable water pumping and lighting of public facilities such as barangay halls, school buildings, health centers, and, streets).

d. Alliance for Mindanao Off-grid Rural Electrification (AMORE) Project

The AMORE Project is a joint undertaking of United States Agency for International Development (USAID), Mirant Philippines, Autonomous Region of Muslim Mindanao (ARMM), Winrock International and DOE. It envisions to establish sustainable renewable energy systems in remote and conflict-affected off-grid communities in Mindanao Regions.

For the DOE 30 project it has implemented under the SSMP approach, only 27 barangays were energized as the electrification of the 3 remaining barangays apparently have security problems. AMORE II Project has technically been closed out last September 2009 and efforts are being undertaken to transfer the obligation of electrifying the 3 barangays, all situated in Maguindanao, to MAGELCO.

e. Philippine Rural Electrification Service (PRES) Project

For the report period, there are 18 remaining barangays as well as 11 replacement areas being installed with minigrid systems under the PRES Project. It is expected that the said Project will be completed by the end of the year 2009. To support the Consortium's undertaking for the electrification of the residual barangays, the EPSC Contract was extended as well as the request for the extension of loan availment was endorsed by NEDA to DOF.

Meanwhile, NPC-SPUG has prepared timeline and proposed organizational structure, for NP Board approval, in preparation as Interim QTP for the Project.

C. Plans and Programs

1. The Department has programmed the electrification of the remaining 902 unenergized barangays through CY 2009 thereby achieving the national target of 100 percent barangay electrification.
2. The DOE aims to energize 404 barangays until CY 2009 through various funding sources, i.e., ER 1-94, BEP and RAES, in collaboration with government and private agencies. The said target also includes 211 barangays to be funded through SC 38 under PGMA's Priority Areas Project.
3. NEA will also energize 182 barangays for the same period under its Subsidy Program in partnership with the local government units and electric cooperatives nationwide, while NPC-SPUG will energize 17 barangays through the PRES project.
4. In collaboration with the private sector, the Program will also be able to energize 255 barangays within the said period.
5. The remaining 44 unenergized barangays will be accomplished through the efforts of the stakeholders both from government and private sector.
6. Furthermore, areas with implementation issues, especially those identified with security problems, will be coordinated with the Office of the Presidential Adviser for Peace Process (OPAPP) for possible assistance to address the said issues appropriately.

ANNEXES

Annex 1 – Summary of ERC Cases on Sub-transmission Assets

ERC DECISION/CASE NUMBER	DATE OF FILING/DATE OF DECISION	NATURE OF PETITION	GROUNDS FOR FILING
ERC Case No. 2008-033 MC	February 8, 2008/ November 11, 2009	In the Matter of the Petition for Dispute Resolution on the Classification of an Asset of the National Transmission Corporation (TRANSCO), VECO, applicant	<ul style="list-style-type: none"> • Due for its subtransmission line upgrading, VECO sought the re-classification of Quiot, Pardo Substation in Cebu City from transmission asset to subtransmission asset pursuant to the Implementing Rules and Regulations (IRR) OF Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA) and the Commission’s <i>“Guidelines to the Sale and Transfer of TRANSCO’s Subtransmission Assets and the Franchising of Consortiums”</i> dated October 15, 2003 (Guidelines) as amended by Resolution No. 03, Series of 2005.
ERC Case No. 2008-088 MC	October 9, 2008/ October 22, 2009	In the Matter of the Petition for Approval of the Reclassification of the TRANSCO Sub-transmission Lines to Transmission Lines Serving Northern Samar via Paranas, Western Samar or in the Alternative to Transfer the 69 KV Line Serving NORSAMELCO to the 138 KV TRANSCO Transmission Lines near Calbayog City, NORSAMELCO, petitioner versus TRANSCO & NGCP, respondents	<ul style="list-style-type: none"> • Power rate increases on the rates of its consumers to cause transmission charges imposed by TRANSCO • Incapability to buy subtransmission assets of TRANSCO due to the selling price of almost PHP300,000,000.00. • No financial capability to source the huge expenses and would rather choose to have the subtransmission asset in order to solve the perennial outages, power interruptions and constant low voltage delivery.
ERC Case No. 2008-101 MC	November 18, 2008/ October 12, 2009	Dispute Resolution on the Purchase of TRANSCO Sub-transmission Lines, CAMELCO versus TRANSCO & MORESCO II	<ul style="list-style-type: none"> • Complaint filed by Camiguin Electric Cooperative, Incorporated (CAMELCO) against National Transmission Corporation (TRANSCO) and Misamis Oriental II Electric Service Cooperative, Incorporated (MORESCO II) <i>praying that no movement or connection should be entertained or allowed in the disputed 56-kilometer 69 kV line of TRANSCO pending the final resolution of the instant dispute and the approval of sale and transfer of said asset.</i>

Annex 2 – Status of STA Sales

(A)	Sold (B)				Likely to be Sold (C)				Balance (D)				To be Sold (E) = (C + D)				Overall Total (B + E)			
Region	No. Of Sale Packages	Line Length (CkM)	MVA	Amount (PhP Million)	No. of Sale Package	Line Length (CkM)	MVA	Amount (PhP Million)	No. of Sale Package	Line Length (CkM)	MVA	Amount (PhP Million)	No. of Sale Package	Line Length (CkM)	MVA	Amount (PhP Million)	No. of Sale Packages	Line Length (CkM)	MVA	Amount (PhP Million)
North Luzon	17	696.46	110	885.46	8	264.29		202.44	18	754.47	258.5	931.79	26	1,018.76	258.5	1,134.23	43	1,715.22	369	2,020
South Luzon	8	305.26	5	312.56	2	154.28		291.99	5	208.47	682.25	146.36	7	362.75	682.25	438.35	15	668.01	687	751
Visayas	17	499.16	210	808.58	6	296.84	190	352.1	7	611.48	107.7	950.02	13	908.32	297.7	1,302.12	30	1,407.48	508	2,111
Mindanao	16	1018.78		1,068.69	8	539.25		616.58	19	774.35	52.2	1,047.20	27	1,313.60	52.2	1,663.78	43	2,332.38	52	2,732
TOTAL	58	2,519.66	325	3,075.29	24	1,254.66	190	1,436.36	49	2,411.77	1100.65	3,075.37	73	3,666.43	1,290.65	4,538.48	131	6,186.09	1,616	7,614

Annex 3 – ERC Approved Rates Schedule for MERALCO

	Units	ERC Approved	Revised	Incr./ (Dec.)
DISTRIBUTION				
Residential & General Service A				
Up to 200 kWh	P/kWh	0.7784	0.6917	(0.0867)
201-300 kWh	P/kWh	1.1522	0.9953	(0.1569)
301-400 kWh	P/kWh	1.5046	1.2816	(0.2230)
401 kWh & Over	P/kWh	2.1186	1.7803	(0.3383)
General Service B (Small NIS/IS)				
	P/kW	140.83	200.60	59.77
	P/kWh	0.0210	0.0210	0
General Power				
Secondary	P/kW	140.83	200.60	59.77
Below 13.2 kV	P/kW	139.53	152.60	13.07
13.8/13.2 kV	P/kW	139.53	152.60	13.07
34.5 kV	P/kW	139.53	152.60	13.07
115 kV & 69kV	P/kW	135.82	122.76	(13.06)
Unit charge : General Power users				
Normal consumption	P/kWh	0.0210	0.0210	0
34.5 kV (with ODPS load)	P/kWh	0.4600	0.3860	(0.0780)
115 kV (with ODPS load)	P/kWh	0.3800	0.3260	(0.0554)
GHMS	P/kWh	0.7300	0.6860	(0.0419)
Flat streetlights	P/kWh	2.7100	1.5360	(1.1740)
125W MV or 70W HPS	Lamp			
250W MV or 150W HPS	Lamp			
400W MV or 250W HPS	Lamp			
400W HPS	Lamp			
SUPPLY				
Residential & General Service A				
	P/Cust./mo	15.80	15.70	(0.1000)
	P/kWh	0.4765	0.4720	(0.0045)
General Service B (Small NIS/IS)	P/Cust./mo	696.00	700.00	4.00
General Power				
Medium (Demand 40-200 kW)	P/Cust./mo	1,530.00	1,600.00	70.00
Large (demand 200-750 kW)	P/Cust./mo.	8,070.00	8,140.00	70.00
Very & extra large (demand >= 750 kW)	P/Cust./mo	13,375.00	13,500.00	125.00
GHMS	P/Cust./mo	279.50	276.80	(2.70)
Flat streetlights	P/kWh	0.5812	0.5745	(0.01)
125W MV or 70W HPS	Lamp			
250W MV or 150W HPS	Lamp			
400W MV or 250W HPS	Lamp			
400W HPS	Lamp			
METERING				
Residential & General Service A	P/Cust./mo	5.3600	5.3000	(0.0600)
	P/kWh	0.3402	0.3380	(0.0022)
General Service B (Small NIS/IS)	P/Cust./mo	359.00	360.00	1.00
General Power				
Medium (Demand 40-200 kW)	P/Cust./mo	823.00	844.20	21.20
Large (demand 200-750 kW)	P/Cust./mo	3,470.60	3,500.00	29.40
Very & extra large (demand >= 750 kW)	P/Cust./mo	11,941.50	12,000.00	58.50
GHMS	P/Cust./mo	263.75	261.20	(2.55)

Annex 4 – ERC Approved Rates Schedule for Iligan Light and Power, Inc.

	Units	Approved Rates for the Regulatory Year 2010 (PhP)
DISTRIBUTION		
Residential	PhP/kWh	0.8059
Commercial	PhP/kWh	0.8108
General Power	PhP/kWh	0.3683
	PhP/kW	143.98
Bulk Power	PhP/kWh	0.0337
	PhP/kW	22.43
Flat Rate	PhP/kWh	0.9067
SUPPLY		
Residential	PhP/kWh	0.2004
Commercial	PhP/Cust./Month	32.71
General Power	PhP/Cust./Month	32.34
Bulk Power	PhP/Cust./Month	32.34
Flat Rate	PhP/Cust./Month	32.34
METERING		
Residential	PhP/kWh	0.2952
	PhP/Cust./Month	5.00
Commercial	PhP/Cust./Month	
1 Phase/Sec. Metered	PhP/Cust./Month	59.54
1 Phase CT Rated/ Primary Metered	PhP/Cust./Month	795.39
General Power	PhP/Cust./Month	
1Phase/Sec. Metered	PhP/Cust./Month	1,478.42
1Phase CT Rated/ Primary Metered	PhP/Cust./Month	3,899.46
Bulk Power	PhP/Cust./Month	
1Phase CT Rated/ Primary Metered	PhP/Cust./Month	4,459.35
Flat Rate	PhP/Cust./Month	-
AVERAGE TOTAL RATE	PhP/kWh	0.9729

Annex 5 – Summary Decisions on Show Cause Orders on the Implementation of Rate Reduction due to Loan Condonation

ECs	ERC CASE NO.	DATE OF SHOW CAUSE ORDER	DATE OF DECISION	REASON FOR FAILURE TO IMPLEMENT THE RATE REDUCTION	ERC DECISION
Camarines Norte Electric Cooperative Inc. (CANORECO)	2006-027 MC	23 January 2006	26 May 2009	<p>- (Ref: ERC Decision 26 July 2004– Case No. 2001-914)</p> <ul style="list-style-type: none"> 22 September 2004 –Filed a Motion for Reconsideration and Deferment of Implementation considering the huge amount to be refunded will cause reduction in revenue and would greatly jeopardize the operations and cause financial balance. 11 February 2009 – Filed its “Verified Explanation” stating that the directive in the Decision was implemented January 2005 instead of September 2004. 	Reprimanded for late implementation of final rate reduction due to loan condonation and removal of cross-subsidy and Warned that a similar offense in the future shall be dealt with more severely.
Nueva Ecija II-Area 1 Electric Cooperative, Inc. (NEECO II – Area 1)	2009-024 MC	17 February 2009	26 June 2009	<ul style="list-style-type: none"> 22 June 2009 – Filed Manifestation / Certification stating that it implemented the final rate reduction due to loan condonation in May 2009 instead of August 2005. <p>Note: Available records with the Commission confirms above Manifestation</p>	Reprimanded for late implementation of final rate reduction due to loan condonation and warned that similar offense in the future shall be dealt with more severely.
Pampanga III Electric Cooperative, Inc. (PELCO III)	2009-025 MC	17 February 2009	14 July 2009	<ul style="list-style-type: none"> 02 July 2009 – filed a formal letter stating that it implemented the final rate reduction due to loan condonation in July 2006 instead of June 2006 as directed. <p>Note: Available records with the Commission confirm this.</p>	Reprimanded for late implementation of final rate reduction due to loan condonation and warned that a similar offense in the future shall be dealt with more severely.
Benguet Electric Cooperative, Inc. (BENECO)	2009-023 MC	17 February 2009	15 July 2009	<p>9 May 2009 – Submitted “Motion to Admit Explanation” stating that it lacks logistics to immediately adjust its rate to comply with the Decision of the Commission.</p> <p>January 2007 - BENECO eventually implemented the final rate reduction due to loan condonation . Note: Available records with the Commission confirm this.</p>	Reprimanded for failure to implement on time a Commission’s directive and warned that a similar offense in the future shall be dealt with more severely.

Annex 6 - Revised Lifeline Program

I. Lifeline Rate and Level – Visayan Electric Company (VECO) -Decision - ERC Case No. 2009-024RC

Per Approved Unbundled Rates		Proposed in this Rate Application		Commission Approved	
kWh Consumption	Level of Discount	kWh Consumption	Level of Discount	kWh Consumption	Level of Discount
0-50 kWh	30%	0 – 20 kWh	100%	0 -20	100%
51 kWh	25%	21-50 kWh	50%	21-25	50%
52 kWh	20%	51-70 kWh	35%	26-30	40%
53 kWh	15%	71-100 kWh	20%	31-35	35%
54 kWh	10%			36-40	30%
55 kWh	5%			41-45	25%
				46-50	20%
				51-55	15%
Subsidy Charge to Non Lifeline Customers	PhP 0.0909/kWh	PhP 0.0937/kWh		Subsidy Charge to Non Lifeline Customers	PhP 0.0746/kWh
Percentage of Residential Customers Benefitted	33.45%	49%		30%	

II. Lifeline Rate and Level – Tarlac Electric Incorporated (TEI) - Decision - ERC Case No. 2009-022RC

kWh Consumption	Per Approved Unbundling of Rates	Proposed in this Rate Application	Commission Approved Lifeline Discount Level
	Level of Discount		
0-20	50%	50%	100%
21-25	50%	50%	50%
26-30	45%	45%	45%
31-35	40%	40%	40%
36-40	35%	35%	35%
41-45	30%	30%	30%
Subsidy charge to Non-Lifeline customers	PhP0.0977/kWh	PhP0.08/kWh	PhP0.0933/kWh

III. Lifeline Rate and Level – Angeles Electric Corporation (AEC) - Decision - ERC Case No. 2008-036RC

kWh Consumption	Level of Discount		Commission Approved	
	Per Approved Unbundled Rates	Proposed in this Rate Application	kWh Consumption	Lifeline Discount Level
0 -25	50%	50%	0 -20	100%
26-35	40%	40%	21-25	
36-45	30%	30%	26-35	40%
46-55	20%	20%	36-45	30%
56-65	10%	10%	46-55	20%
			56-65	10%
Subsidy charge to Non-lifeline	PhP0.0510/kWh	PhP0.0400/kWh		PhP0.0444/kWh

Annex 7 – Summary of Events on PIPPA’s application for Interim Open Access before the ERC

Date	Summary of Events
May 23, 2008	The signatories to the “Terms of Reference (TOR) of the Interim Implementation of Open Access (IOA)” namely PIPPA, MERALCO, Visayan Electric Company (VECO), Davao Light & Power Co. (DLPC), Inc., Clark Electric Distribution Corp. (CEDC), Cagayan Electric Power and Light Company (CEPALCO), San Fernando Electric Light & Power Co. (SFELAPCO) and Panay Electric Company, Inc. (PECO) filed a joint petition to the ERC for the approval of the implementation of the IOA in the Luzon and Visayas grid.
May 26, 2008	An Order and Notice of Public Hearing were issued setting the same for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearings on various dates.
June 11, 2008	<p>“Petition for Intervention” filed by Masinloc Power Partners Co., Ltd. (AES Philippines) praying for its admission as Intervenor based on its interest as the new owner and operator of the Masinloc Thermal Power Plant</p> <p>“Motion for Intervention, Compliance and Motion for Production of Documents” filed by NASECORE, opposing the instant Petition for violation of the pre-conditions provided under Sec. 31 of the EPIRA, and praying for leave to intervene</p>
June 12, 2008	Pre-trial Brief wherein PSALM filed a Petition to Intervene and posed the following issues: <ol style="list-style-type: none"> 1. Whether or not the proposed Interim Open Access is in accordance with the EPIRA or such other applicable law 2. Whether or not the exclusion of NPC/PSALM to sell or directly contract with Eligible Contestable Market under the Interim Open Access is valid and justified
June 24, 2008	NASECORE’s raised arguments was resolved by the ERC
July 8, 2008	ERC in its order provisionally allowed the performance of the following acts: <ol style="list-style-type: none"> 1. All Suppliers, duly licensed by the ERC, may market their business, provided that the sourcing of supply is limited to the eligible companies defined and identified under the proposed TOR; and 2. MERALCO may put up the necessary metering facilities pursuant to the provisions of the Commission’s Rules for Contestability but only within its franchise area.
July 17, 2008	The Philippine Electric Cooperatives Association, Inc. (PHILRECA) filed a “Motion to Dismiss” which in essence was posited on the alleged premature filing of the subject Petition due to non-fulfillment of all preconditions enumerated under Section 31 of R.A. 9136
July 25, 2008	ERC directed the Petitioners to file their Comment to the foregoing Motion
July 28, 2008	The Petitioners complied to the directive by filing their “Opposition (To the Motion to Dismiss)”
August 2008	Hearings were conducted by the ERC
September 4, 2008	Public Consultation
October 8, 2008	ERC issued an Order denying PHILRECA’s motion to dismiss for lack of merit, the argument therein being a mere rehash of the same arguments made by NASECORE in its previous motion to dismiss in the Luzon Grid
November 10, 2008 (Docketed December 4, 2008)	ERC issued an Order approving the application for interim open access in the Luzon and Visayas grid and its implementation in accordance with approved TOR. In lieu of the Interim Open Access (IOA), the approved scheme/program shall be referred to as the Power Supply Option Program (PSOP). Accordingly, one of the conditions for its implementation is the transfer of the operation of the Calaca Privatized NPC Generation Asset.
December 19, 2008	<p>MERALCO filed a motion seeking the partial consideration and clarification of the ERC’s decision. In the said motion, MERALCO raised the following arguments:</p> <ol style="list-style-type: none"> 1. Eligible DUs should be allowed to adjust the TSC contracted volumes for the movement of customers into and out of the PSOP to ensure that the PSOP has no detrimental effect on the customers of the DU not participating in the PSOP; 2. In the absence of express prohibition thereto, the participation of the DU’s local RES as a potential Eligible Supplier for PSOP should be allowed; 3. The treatment of distribution system losses should be clarified
January 19, 2009	ERC issued an order directing all interested parties to file their respective comments regarding the MERALCO’s motion
March 13, 2009	ERC issued an order directing the Petitioners to file their comment on their intention to maintain the privatization of the Calaca NPC Generation Assets as a precondition for the implementation of the PSOP

15th Status Report on EPIRA Implementation

Date	Summary of Events
March 27, 2009	Masinloc Power Partners Co., Ltd.'s (AES Philippines) submitted to ERC their comments/suggestion on the failure of the privatization of the Calaca power plant as a pre-condition to the implementation of PSOP. They suggested that the ERC consider substituting the privatization of Calaca with the Tiwi-MakBan geothermal facilities. According to them, this will give a better assurance of actual competition as the capacity of the said plant, at 745 MW, is higher than the 600 MW capacity of the Calaca plant. They recommended that the implementation of the PSOP commence six (6) months after the closing of the said plant.
April 6, 2009	PIPPA filed their comment
June 25, 2009	The proponents for the Interim Open Access is directed to file their respective comments within a period of 10 days on whether or not the privatization of at least 70 percent of the total capacity of generating assets of NPC in Luzon and Visayas in lieu of the transfer of the operation of the Calaca Privatized Generation Asset is an acceptable precondition to the implementation of the Power Supply Option Program (PSOP).
July 7, 2009	PSALM filed its manifestation that they adopt as comments their pre-trial Brief and petition to intervene/comment dated June 12, 2008 and Position paper dated June 19, 2008
July 13, 2009	Intervenor Masinloc Power Partners and Co., Ltd. Filed its comment which supports to make the privatization of at least 70 percent of the total capacity of generating assets of NPC in Luzon and Visayas in lieu of the transfer of the operation of the Calaca Privatized Generation Asset is an acceptable precondition to the implementation of the Power Supply Option Program (PSOP)
20 July 2009	The petitioners submitted their Second Urgent Ex-Parte Motion for Extension of Time to Submit Comment respectfully praying to be granted another 7 days from 13 July 2009 or until 20 July 2009 within which to submit their Comment.
23 July 2009	The petitioners submitted their comments pursuant to ERC's Order dated 25 June 2009 (docketed on 3 July 2009) directing the petitioners to file their comments on "whether or not the prvatization of at least 70 percent of the total capacity of generating assets of NPC in Luzon and Visayas, in lieu of the transfer of the operation of the Calaca Privatized NPC Generation Asset, is an acceptable pre-condition to the implementation of the PSOP.
14 September 2009	The ERC approved the PSOP and will be effective after the completion of the following conditions whichever comes first: <ul style="list-style-type: none"> a) The transfer of the operation of the Calaca NOC Generations assets to the private generation companies concerned or its equivalent in terms of capacity; or b) The privatization of at least 70 percent of the total capacity of the generating assets of NPC in Luzon and Visayas

Annex 8 - Comparison of DOE and ERC Installed Capacity Data Based on ERC Resolution No. 4, Series of 2009

GRID	BASED ON DOE DATA		BASED ON ERC RESOLUTION NO. 4 S. OF 2009		DIFERENCE IN INSTALLED CAPACITY (MW)
	INSTALLED GENERATING CAPACITY (MW)	RATED CAPACITY (MW)	NAMEPLATE RATING (MW)	INSTALLED GENERATING CAPACITY (MW)	
LUZON	12,172.02	9,533.17	12,054.11	10,664.22	1,507.80
NPC	1,321.73	268.82	1,306.00	569.32	752.41
NPC-IPPs	6,280.45	5,830.47	6,471.73	6,219.93	60.52
NON-NPC	4,569.84	3,433.88	4,276.39	3,874.98	694.86
VISAYAS	1,831.42	1,493.93	1,868.59	1,645.32	186.11
NPC	423.00	347.49	455.50	373.13	49.87
NPC-IPPs	812.28	762.98	820.50	785.46	26.82
NON-NPC	596.14	383.46	592.585	486.725	109.42
MINDANAO	1,933.42	1,682.08	1,881.83	1,729.58	203.85
NPC	1,116.80	953.12	1,076.80	940.80	176.00
NPC-IPPs	712.48	646.55	708.48	694.46	18.02
NON-NPC	104.144	82.4	96.55	94.32	9.82
PHILIPPINES	15,936.86	12,709.18	15,804.53	14,039.12	1,897.75
NPC	2,861.53	1,569.43	2,838.30	1,883.25	978.28
NPC-IPPs	7,805.21	7,240.00	8,000.71	7,699.84	105.37
NON-NPC	5,270.12	3,899.74	4,965.52	4,456.02	814.10

Notes:

The comparison is based on data prior to the privatization of Calaca Coal Power Plant

Comparison is based on the plants listed in the ERC Resolution

Annex 9 - ERC-Approved Capital Expenditure Projects (May - October 2009)

APPLICANT	PROJECT	DESCRIPTION	RATIONALE	PROJECT COST (Million Php)	DATE APPROVED
Davao Light and Power Company, Inc. (DLPC)	Upgrading and Relocation of 69 kV Sub-transmission Lines	Upgrading and relocation of the 69 kV sub-transmission lines ; Acquisition of 69 kV line materials and accessories for emergency purposes	To stabilize the 69 kV sub-transmission lines; To promote system reliability and flexibility and increase line capacity	18.36	May 4, 2009
	Upgrading and Rehabilitation of 13.8 kV Distribution Lines and Rural Electrification	Rehabilitation and upgrading of 13.8 kV distribution lines and Electrification of Barangays Magwawa, Municipality of Sto. Tomas, and Colosas, Tapak, and Bantol, all in the Municipality of Paquibato, Davao City	To increase distribution system reliability	42.42	
	Installation of Protective Relays	Installation of protective relays at the substation of Bangkal, Calinan, Ecoland, ERA, Gaisano, Matina, Pampang, R. Castillo, Sta. Ana and Tadeco	To improve distribution system reliability	5.18	
	Installation of Capacitor Banks	Installation of 10.8 Megavoltampere reactive (MVAR) of capacitor at various locations along the 13.8 kV distribution line	To compensate the increasing reactive power and maintain the power factor at a desired level; To help boost voltage during peak hours where voltage is low; To reduce line losses and increase line capacity	11.40	
	Acquisition of Specialized Vehicles	Acquisition of one (1) 55 feet Insulated Bucket Truck, one (1) Brand New Isuzu Dmax IPV, one (1) Brand New Kia 4x4 Cab and Chassis, one (1) Brand New Digger Derrick, and one (1) Boom Truck	To improve customer service response	16.40	
	Construction of 33 MVA 3-Winding Power Transformer	Construction of a new 33 MVA 3-winding power transformer	To optimize the generating capacity of U20 Generator at Bajada Power Plant; To unload the tertiary winding of ERA 150 MVA Power Transformer	36.44	
Misamis Oriental 1 Rural Electric Service Cooperative, Inc. (MORESCO 1)	Construction of a 10 MVA Substation and Sub-Transmission and Primary Distribution Lines	Construction of a new 10 MVA substation at Canituan, Cagayan de Oro City including a 2.66 kilometer (km) 69 kV and 13.2 kV double circuit line to Canituan and another 3.73 km single circuit three phase line to Barra, Opol	To address load growth in the Municipality of Opol and its barangays	50.00	May 4, 2009
	Construction of a 10 MVA Substation and Sub-Transmission and Primary Distribution Lines	Construction of a new 10 MVA substation at Quibonbon, City of El Salvador including a 0.2 kilometer (km) 69 kV and another 1.8 km 13.2 kV single circuit line and 0.8 km of 13.2 kV double circuit line to Lumbo	To address load growth in the City of El Salvador	35.66	

APPLICANT	PROJECT	DESCRIPTION	RATIONALE	PROJECT COST (Million PhP)	DATE APPROVED
	Construction of a 10 MVA Substation and Sub-Transmission and Primary Distribution Lines	Construction of a new 10 MVA substation at Moog, Laguindingan including a 6.8 kilometer (km) 69 kV and 13.2 kV double circuit line to the International Airport	To address the power requirements of the new International Airport at Laguindingan	53.13	
	Acquisition of Electronic Kilowatt-hour (kWhr) Meters for Use in the years 2009, 2010 and 2011	Acquisition of 21,654 units (Socket Type - 9,337 units; Bottom Type - 12,317 units) of electronic kilowatt-hour meters	To extend electric services to potential consumers	58.92	
	Acquisition of Microprocessor Relay	Acquisition of six (6) units microprocessor relay	To locate power fault and monitor power quality	0.95	
	Acquisition of Power Monitoring Instruments (Potential Transformers)	Acquisition of nine (9) units of 72.5 kV Potential Transformers and nine (9) units of 15 kV Potential Transformers	To maximize the capability of relay in monitoring the power quality and energy consumption	3.01	
	Acquisition of Switch Capacitors	Acquisition of seven (7) units of kilovoltampere reactive (kVAR) switch capacitors	To limit high voltage during light load	2.80	
	Acquisition of Voltage Regulator	Acquisition of nine (9) units of three (3) phase 250 kilovolt ampere (kVA) Voltage Regulator	To maintain the required standard voltage level set by the Philippine Distribution Code (PDC)	6.30	
	Acquisition of Circuit Recloser	Acquisition of three (3) phase 15 kilovolt (kV) 600 ampere circuit recloser	To minimize the area coverage interruptions and improve reliability.	9.98	
	Acquisition of Power Quality Monitoring Instruments	Acquisition of three (3) phase electronic current and voltage source including one (1) unit of meter and meter instrument test system	To monitor power quality at any mode of the system	4.59	
	Installation of Equipment Identification	Installation of equipment identification for poles, switches, transformers, breakers and reclosers	To easily identify system equipment	1.64	
	Acquisition of Engineering Software	Acquisition of Automated Mapping/Facilities Management Gas Insulated Switchyard (AM/FM GIS) software	To generate automatic mapping of system coverage and assess asset inventory and exportation of map data to load flow analysis software	1.54	
	Acquisition of 20 MVA Power Transformer	Acquisition of 20 MVA power transformers	To replace the defective 10 MVA power transformer of TransCo inside Carment Substation	30.00	

APPLICANT	PROJECT	DESCRIPTION	RATIONALE	PROJECT COST (Million PhP)	DATE APPROVED
Zamboanga Del Norte Electric Cooperative, Inc. (ZANECO)	Upgrading of the Polanco Substation	Upgrading of the Polanco Substation by replacing the existing 10 MVA power transformer by a 20 MVA power transformer and transfer the substituted 10 MVA transformer to Dapitan Substation	To relieve the overloaded condition of the Polanco Substation and accommodate additional load of 3000 kW for LEE Plaza and the anticipated growing demand of commercial and residential consumers in Dipolog City and the Municipality of Polanco	39.45	May 11, 2009
Bohol Light Company, Inc. (BLCI)	Installation of 69 kV Protection Equipment for the Second 10 MVA Substation	Installation of 69 kV protection equipment: lighting arrester, sulfur hexafluoride (SF6) circuit breaker, potential transformer, current transformer protection relays and accessories	To improve power quality, reliability, efficiency and safe operation of the distribution system	4.79	May 25, 2009
	Extension of Distribution Lines and Acquisition of 13.8 kV Distribution Line	Extension and upgrading of secondary lines to primary lines from Tiptip basketball court to BBC Laundry Shop and Booy Chapel to Sport Center; Extension of secondary lines along Solijon St., Dao District, Zamora St., Lanao Dao, and along the City Road near Galab Compound, Dampas; Acquisition of BDPP-PPUD 13.8 kV sub-transmission lines	To meet forecasted demand, reduce systems loss, improve power quality, reliability, efficiency and safe operation of the distribution system	1.84	
	Upgrading and Jogging of Existing Distribution Transformers and Installation of Protective Devices	Upgrading and jogging of distribution transformers and installation of protective devices	To attain minimum capacity, promote power quality and reliability and address required service delivery standards, provide significant economic and technical benefits and to attain sustainable economic loading and reduce systems loss	2.20	
Cebu III Electric Cooperative, Inc. (CEBECO III)	Construction of one (1) 10 MVA Power Substation	Construction of one (1) 10 MVA substation with the corresponding 69 kV lines and 13.2 kV distribution feeders in Balamban, Cebu	To provide adequate substation capacity for the increasing energy requirement of the system	33.40	June 15, 2009
	Procurement of Various Logistical Support	Procurement of various logistical support equipment and tools such as thermal scanner, ammeter, load logger, service vehicles and utility boom trucks	To increase operational efficiency; To replace antiquated tools and equipment	7.47	

APPLICANT	PROJECT	DESCRIPTION	RATIONALE	PROJECT COST (Million PhP)	DATE APPROVED
Bohol I Electric Cooperative, Inc. (BOHECO I)	Relocation or Replacement of Poles and Reconductoring of Line in Preparation for the 69 kV Transmission Line	Relocation or replacement of 13 poles from junction Tagbilaran to Dauis with a span of 0.984 km circuit distance and height of 75 to 80 footer; and Reconductoring of lines from 4/0 Aluminum Conductor Steel Reinforced (ACSR) to 366.4 ACSR in preparation for the 69 kV transmission line intended for the Panglao substation	To comply with the request made by the Department of Public Works and Highways (DPWH); To promote reliability and stability of the distribution system	2.72	July 20, 2009
Pampanga I Electric Cooperative, Inc. (PELCO I)	Relocation of Poles	Relocation of poles directly affected by road widening and concreting from San Roque to Piring, Mexico, Pampanga by the Department of Public Works and Highways (DPWH)	To comply with the request made by DPWH; To promote system reliability and stability	2.30	August 3, 2009
Sorsogon II Electric Cooperative, Inc. (SORECO II)	Replacement of Old, Rotten and Damaged Poles	Procurement of four hundred six (406) pieces tanalized wood poles of different sizes to replace rotten and damaged poles.	To improve system reliability as well as to protect lives and properties	5.88	
	Replacement of Dilapidated Pole Line Hardware	Acquisition and replacement of distribution system construction hardware materials	To maintain system reliability and efficiency	5.35	
	Replacement of Old and Defective Kilowattour (kWh) meters	Procurement of twenty four thousand two hundred thirty four (24,234) pieces of new kWh meters, electronic type, 10 (60)A	To reduce system loss	31.02	
	Pole Clustering of kWh Meters	Fabrication of eight hundred eight (808) units of kWh meter enclosures with gauge # 18 steel, galvanized complete with all the accessories that include wires, conductors, clamps, connectors, magnetic wires and other materials like screws, bolts and washers	To prevent pilferage	41.27	
	Reconductoring of Distribution Lines	Re-conductoring of two-phase primary distribution lines and under-built secondary lines at Brgy. Ariman to Brgy. Rizal, Gubat, Sorsogon	To reduce system loss and improve power quality	0.58	
	Rehabilitation of Distribution Line Conductors	Replacement of primary and secondary lines at the coastal Barangays of San Rafael, Inapugan, Dapdap and Lungib in the Municipality of Pilar	To improve system reliability	7.24	
	Upgrading of Distribution Transformers	Upgrading and load balancing of distribution transformers to solve the underloaded/overloaded condition of the existing distribution transformers	To improve line voltage in some sections of the distribution system within the coverage area	6.42	

APPLICANT	PROJECT	DESCRIPTION	RATIONALE	PROJECT COST (Million PhP)	DATE APPROVED
	Procurement of Portable Fault Circuit Indicator	Installation of Portable Fault Circuit Indicator which will be clipped on the line without any special tool, equipped with highly visible red flash light	To improve system reliability, system loss, power quality and customer service efficiency	3.20	
	Procurement of Phantom Load and Accessories	Acquisition of PA-2505K 69 Megger Phantom Load, complete with accessories	To improve system loss and customer service provision; To determine the accuracy of a meter under test	0.57	
	Procurement of Meter Standard and Accessories	Procurement of Megger MA-10 wathour standard specifically designed to test wathour meters by using the comparison method in the field or laboratory	To improve testing of meter accuracy	0.70	
	Procurement of Portable Power Quality Analyzer	Acquisition of three-phase power quality loggers for everyday instruments for technicians who troubleshoot and analyze power distribution systems	To uncover intermittent and hard-to-find power quality problems	0.30	
	Procurement of Automated Mapping (AM)/Facilities Management (FM) System Software	Acquisition of AM/FM/GIS that will allow utility users to digitize, manage and analyze utility network data	To meet higher customer service satisfaction and efficiency	2.00	
Siargao Island Electric Cooperative, Inc. (SIARELCO)	Construction of Distribution Line (System Inter-looping) and Procurement of Power Circuit Breaker (CB), Line Upgrading, Replacement of Rotten Poles and Inefficient Transformers	Construction of 21.1 kilometers (kms) of three (3) phase distribution line from Osmena, Dapa to Pilar with the installation of Sulfur Hexalouride (SF6) Live Tank CB at the 34.5 kV, secondary side to the substation power transformer; Construction of 9.75 kms. two (2) phase distribution line from Sta. Monica to Burgos; Replacement of one hundred twenty (120) trunks of rotten poles; Replacement of sixty-four (64) distribution transformers	To improve power reliability and line loading	21.06	September 9, 2009

APPLICANT	PROJECT	DESCRIPTION	RATIONALE	PROJECT COST (Million PhP)	DATE APPROVED
Dinagat Island Electric Cooperative, Inc. (DIELCO)	Replacement of Rotten Poles, Cross-Arms, Inefficient Transformers, Cut-out and Arresters with Load Breaker at the Distribution Transformers; and 2) Procurement of Sectionalizer and Recloser	Replacement of the following: 1) one hundred fifty-five (155) trunks of rotten poles and thirty (30) cross arms; and 2) fifty eight (58) distribution transformers, and Procurement of thirty (30) sectionlizers by feeder and two (2) three-phase reclosers at the National Power Corporation (NPC) take-off and three (3) single-phase reclosers at Libjo	To improve service efficiency and power reliability; To reduce system loss and improve transformer load management; To prevent power interruption; To improve Sytem Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI); and To improve system reliability	7.69	September 9, 2009
Surigao Del Norte Electric Cooperative, Inc. (SURNECO)	Acquisition of 69 kV Subtransmission Line	Acquisition of 12.43 kilometer (km) 69 kV line from tapping points of Anislagan, Placer to PACEMCO	To provide safe, efficient and reliable electric service	7.76	September 29, 2009
	Acquisition and Installation of 20 MVA Substation	Acquisition and Installation of a new self ventilated, remote control and self monitoring 20 MVA Substation with outdoor type power transformer and accessory equipment all mounted on steel structures	To address load growth	42.50	
	Construction and Acquisition of 69 kV Subtransmission Line	Construction of 69 kV subtransmission line from PACEMCO to Sitio Looc, Barangay Luna, Surigao City	To provide safe, efficient and reliable electric service	2.40	
	Construction of Double Circuit Line to 20 MVA Substation	Construction of double circuit 20 MVA Substation consisting of outgoing two (2) main feeders	To address substation overloading and the increase in demand of power in Surigao City and the neighboring municipalities	2.66	
	Construction of Three (3) Phase Line	Construction of three (3) phase line to supply Greenstone Resources at Siana, Mainit, Surigao del Norte	To address the large load requirements of mining industries	3.76	
	Acquisition of a Lot, Instruments and Equipment and Relocation of Trinidad 10 MVA Substation to Tubod	Relocation of the Trinidad 10 MVA Substation upon the completion of Project Nos. 2 and 4 and Acquisition of lot, instruments and equipment	To accommodate future load; To increase the reliability of the power system	9.07	

APPLICANT	PROJECT	DESCRIPTION	RATIONALE	PROJECT COST (Million PhP)	DATE APPROVED
	Construction of fifteen (15) kilometer (km) 69 kV Line	Construction of fifteen (15) km. 69 kV line to connect the 10 MVA Substation at Tubod with the National Transmission Corporation's (TransCO) 69 kV line	To complement the relocated 10 MVA Substation at Tubod	18.00	
	Conversion from Single Phase to Three (3) Phase Line	Conversion from single phase to three (3) phase line from Poblacion to Kinalablaban, Claver	To address the large load requirements of mining industries	11.56	
	Relocation of Trinidad 5 MVA Substation to Claver and Acquisition of Lot, Instruments and Equipment	Relocation of Trinidad 5 MVA Substation to Claver and Acquisition of lot, instrument and equipment	To accommodate future; to increase the reliability of the power system	9.32	
	Repair of Mapaso 5 MVA Substation and Acquisition of Lot, Instruments and Equipment	Relocation of the Mapaso 5 MVA Substation upon the completion of Project No. 2 including the acquisition of lot, instrument and equipment	To provide safe and reliable power; To balance load in the power system	6.63	
			TOTAL	729.84	