

ERC approves the budget for the establishment of Interim Mindanao Energy Market

The Energy Regulatory Commission (ERC) on February 25, 2013 allowed the Philippine Electricity Market Corporation (PEMC) to use the excess collections of the market fees in the Wholesale Electricity Spot Market (WESM) for 2012, in the amount of up to **PhP24.26 Million** for the establishment of the Interim Mindanao Energy Market (IMEM). PEMC's proposed budget for the establishment of IMEM stood at PhP34.26 Million, with PhP5.98 Million going to pre-operating expenses, PhP8.28 Million for capital expenditures (CAPEX), and PhP20 Million for consultancy services. The ERC granted PEMC's proposed budget, except the PhP20 Million for consultancy services, which it reduced by half, pending submission of the supporting documents to justify this expenditure.

The approved amount will be refunded to the Luzon and Visayas WESM participants from whom the 2012 market fees were collected once the IMEM starts commercial operations, based on a refund mechanism to be finalized later. Since the amount will be taken from the excess collections of the previously-approved 2012 market fees, no additional imposition will be levied on the Luzon and Visayas WESM participants.

The IMEM is being undertaken pursuant to Department Circular No. 2013-0001 of the Department of Energy to address the power supply situation in Mindanao. The IMEM is envisioned to provide an opportunity for generators and other entities with excess or unutilized generation capacities, to offer or make use of such generation capacities, subject to compensation based on the resulting market prices.

The establishment of IMEM recently became the subject of several newspaper articles wherein the ERC was faulted for delaying its action on PEMC's application, which was filed only on January 21, 2013. *"Considering that, as prescribed in the Implementing Rules and Regulations of Republic Act No. 9136, the ERC can act on PEMC's application only after 30 days, the ERC's approval that was made a few days after the lapse of this 30-day period, can be characterized as anything but delayed,"* ERC Executive Director Francis Saturnino C. Juan pointed out.