

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

**RULES ON RATE FILING BY THE SUPPLIER OF LAST RESORT (SOLR)**

**ERC CASE NO.** \_\_\_\_\_

Pursuant to Sections 2 and 43 of Republic Act No. 9136, its Implementing Rules and Regulations (IRR), the Distribution Services and Open Access Rules (DSOAR), and the Rules for the Supplier of Last Resort (SOLR), the Energy Regulatory Commission (ERC) hereby promulgates the following Rules on Rate Filing by the Supplier of Last Resort (SOLR).

**ARTICLE I**  
**GENERAL PROVISIONS**

**Section 1. Objectives**

- 1.1 To provide a uniform filing system for applications by the SOLR for the approval of SOLR Rate/charges to the affected contestable market; and
- 1.2 To ensure recovery of the allowable premium and reasonable return and other costs associated with the SOLR service.

**Section 2. Scope**

These Rules shall apply to all Suppliers of Last Resort (SOLR).

**Section 3. Definition of Terms**

As used in these Rules, the following terms shall have the following respective meanings:

|                          |   |
|--------------------------|---|
| Applicant                | A Supplier of Last Resort seeking ERC's approval of the SOLR Rate to be charged to its customers.               |
| Bilateral Contract Price | The agreed electricity price, whether monthly or hourly, that is charged by the Generation Company to the SOLR. |

|                                      |  |
|--------------------------------------|--|
| ERC Rules of Practice and Procedures | The rules established for the general procedures and requirements for filing an application to the ERC.  |
| Generation Company                   | Generating facility contracted by the SOLR to provide electricity supply for SOLR customers.   |
| Nodal Energy Price                   | The energy price at a node determined ex-ante or ex-post.  |
| Last Resort Supply Business Segment  | This segment comprises the provision of SOLR services provided by a distribution utility pertaining to the sale of electricity to SOLR customers, including billing, collection and the provision of basic customer service. |
| Premium                              | The allowable recovery of administrative and overhead expenses associated with SOLR service, as approved by the ERC.   |
| SOLR Rate                            | The WESM hourly Nodal Energy Price or the Bilateral Contract Price, whichever is higher plus the regulated premium and reasonable return charged by the SOLR to its customers.   |

#### **Section 4. Guiding Principles**

Provisions in Article V of the Rules for the Supplier of Last Resort direct the SOLR to file and submit for ERC approval its proposed SOLR Rate for the contestable market.

Prior to the filing of its SOLR Rate application, the SOLR shall make sure that it has complied with the provisions of the Business Separation Guidelines, As Amended, to efficiently account for expenses falling under the Last Resort Supply Business Segment.

The distribution utility shall serve as the SOLR in the early stages of retail competition and open access. The provision of SOLR service may later be opened to competition and other entities, as determined by the ERC.

## **ARTICLE II RATE FILING REQUIREMENTS**

### **Section 1. Filing Requirements**

- 1.1 The Applicant shall file its application to the ERC, together with the following:

- 1.1.1 Itemized expenses related to SOLR service;
  - 1.1.2 Justification of said expenses;
  - 1.1.3 Proposed reasonable return on investment and justification of the same; and
  - 1.1.4 All other basic requirements as prescribed in the ERC Rules of Practice and Procedure.
- 1.2 The Applicant may also include in its filing, a recovery formula or a mechanism to recoup a cost that is not recovered due to the absence of a SOLR customer, or to refund an over-recovery arising from the collection of SOLR Rate.

## **Section 2. Procedures for Filing**

- 2.1 The Applicant shall, at least six (6) months prior to the commencement of retail competition and open access, or thereafter within three (3) months from having been qualified to serve as SOLR, submit for ERC approval its proposed SOLR Rate.
- 2.2 The Applicant shall file the application and supporting documents in three (3) hard copies and three (3) soft copies to the Docket Section of the ERC.
- 2.3 The Applicant shall adhere to the procedures and requirements embodied in the ERC Rules of Practice and Procedure, which shall include, but not be limited to the following:
- 2.3.1 Before the ERC shall accept and docket rate applications and other applications for relief affecting the consumers, the Applicant must comply with the following requirements:
    - 2.3.1.1 The Applicant must furnish the Local Government Unit (LGU) Legislative Body (and not the Office of the Mayor) of the city or municipality where it principally operates, a copy of the application with all its annexes and accompanying documents.
    - 2.3.1.2 The Applicant must cause the publication of the entire application, excluding its annexes in a newspaper of general circulation within its franchise area or area where it principally operates.
  - 2.3.2 The ERC shall give notice of the commencement of the hearings of applications to all parties and to such other persons as the ERC designates.

- 2.3.3 The notice of hearing shall be published by the Applicant, at its own expense, at least twice for two (2) successive weeks in two (2) newspapers of nationwide circulation, the last day of publication not to be later than ten (10) days before the scheduled hearing.
- 2.4 The Applicant, before filing said application to ERC's Docket Section, shall proceed to the Contestable Market Division (CMD), Market Operations Service (MOS), for checking on the completeness of the requirements attached to the application, and assessment of application fees. Said application fees shall be governed by the Schedule of ERC Fees and Charges, as Amended.
- 2.5 The ERC may request additional information or data from the Applicant as it deems appropriate.
- 2.6 The ERC shall render its Decision regarding the approval of the SOLR rate application within three (3) months from the date of its filing, unless otherwise extended by the ERC.

**ARTICLE III  
REPORTORIAL REQUIREMENTS**

**Section 1.** On or before the twenty-fifth (25<sup>th</sup>) day of each month, the SOLR shall submit to the ERC the following information for the previous month.

1.1 Energy Purchased for SOLR service

| Source of Power | Average Electricity Price | Total kWh Purchased |
|-----------------|---------------------------|---------------------|
|                 |                           |                     |
|                 |                           |                     |

1.2 Energy Sold to SOLR Customers

| SOLR Customers | SOLR Rate/charges | Total kWh Sold | Period for the provision of SOLR service |
|----------------|-------------------|----------------|--|
|                |                   |                |  |
|                |                   |                |  |

1.3 Sample bill per customer segment

**Section 2.** On or before the 30<sup>th</sup> day of January of the following year, the SOLR shall provide the ERC with the following (if any):

- 2.1 All calculations and collections made related to Article II, Sec. 1b, together with the supporting documents, which shall include, but not limited to the following:

- 2.1.1 Amount not recovered from its SOLR operation.
- 2.1.2 Total amount recovered or intended to be recovered through the mechanism.
- 2.2 The ERC shall verify any over/(under) recovery of the above mentioned recovery mechanism yearly by comparing the approved amount to be recovered against the total collection for the same period.
- 2.3 If the ERC fails to verify the said mechanism within sixty (60) days from the submission of calculation with complete supporting documents, the rates shall be deemed final and confirmed.
- 2.4 Any over/under recovery incurred by the SOLR as a result of verification process shall be refunded or collected from the affected SOLR customers. The scheme to be adopted relative to this shall be proposed by the Applicant.
- 2.5 If the total collection resulted in an over recovery, the amount of over recovery will be subjected to carrying charge based on the 91-day treasury bill rates.

#### **ARTICLE IV ADMINISTRATIVE SANCTIONS**

Any violation of these Rules shall be subject to the penalty which the ERC may impose in accordance with the Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties pursuant to Section 46 of the Republic Act No. 9136 promulgated by the ERC on May 17, 2002.

#### **ARTICLE V SEPARABILITY**

If for any reason, any provision of these Rules is declared unconstitutional or invalid by final judgment of a competent court, the other parts or provisions hereof which were not affected thereby shall continue to be in full force and effect.

**ARTICLE VII  
EFFECTIVITY**

These Rules shall take effect on the fifteenth (15<sup>th</sup>) day following its publication in a newspaper of general circulation in the country.

Pasig City, \_\_\_\_\_, 2006.

**RODOLFO B. ALBANO, JR.**  
Chairman

**RAUF A. TAN**  
Commissioner

**ALEJANDRO Z. BARIN**  
Commissioner

**MA. TERESA A.R. CASTAÑEDA**  
Commissioner

**JOSE C. REYES**  
Commissioner