

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

**GUIDELINES TO GOVERN THE SUBMISSION, EVALUATION AND APPROVAL  
OF ELECTRIC POWER TRANSMISSION AND DISTRIBUTION CAPITAL  
PROJECTS**

Pursuant to Section 43 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), Rules 6 and 7 of its Implementing Rules and Regulations, Section 8 of ERB Resolution No. 95-21, as amended, and Section 20 (b) of Commonwealth Act No. 146, as amended, the Energy Regulatory Commission (ERC) hereby adopts and promulgates the following Guidelines to Govern the Submission, Evaluation and Approval of Electric Power Transmission and Distribution Capital Projects.

**ARTICLE I**

**GENERAL PROVISIONS**

**Section 1. Objectives** – This Guidelines shall have the following objectives:

1. To provide the transmission company and distribution utilities with a uniform system for filing applications for the approval of electric power capital projects;
2. To ensure that all capital development projects are in compliance with the Philippine Grid Code and the Philippine Distribution Code;
3. *To protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;*
4. To ensure the economic, orderly and efficient development of electric utilities' resources that concern public interest;
5. *To ensure that the procurement of equipment, materials and services are transparent and compliant with the applicable laws and accepted industry practices and standards.*

**Section 2. Guiding Principles - Provisions in Chapter 6 of the PGC and Chapter 6 of the PDC** directed the Grid Owner and the Distributors to conduct grid and distribution planning for the preparation and evaluation of transmission and distribution system reinforcement projects and for the preparation of the transmission and distribution development plans. TransCo is mandated to prepare the Transmission Development Plan (TDP) for its submission to the DOE for integration with the Power Development Program (PDP) and the Philippine Energy Plan (PEP). Similarly, Distribution Utilities are mandated to prepare and submit their annual 5-year Distribution Development Plans to the DOE. Individual development projects found within the TDP and the DDP shall be reviewed by the ERC.

Any plan for expansion or improvement of transmission and distribution facilities shall be reviewed and approved by the ERC to ensure that *all capital expenditure projects are optimized* and that the contracting and procurement of the equipment, assets and services have been subjected to transparent and competitive *bidding* and purchasing processes to protect public interest.

**Section 3. Scope of Application** – This Guidelines shall apply to all electric power Transmission and Distribution Utilities, including but not limited to the following:

1. National Transmission Corporation (TransCo);
2. Electric cooperatives;
3. Privately-owned distribution utilities;
4. Local government unit owned-and-operated distribution systems;
5. Entities duly authorized to operate within the economic zones; and
6. Other duly authorized entities engaged in the distribution of electricity.

**Section 4. Definition of Terms** – The following words and phrases shall have the following respective meanings:

**a) “Department of Energy or DOE”** shall refer to the government agency created pursuant to Republic Act No. 7638 whose expanded functions are provided in the Act;

**b) “Distribution Code”** shall refer to a compilation of rules and regulations governing electric utilities in the operation and maintenance of their distribution systems which includes among others, the standards for service and performance, and defines and establishes the relationship of the distribution systems with the facilities or installations of the parties connected thereto;

**c) “Distribution Development Plan”** shall refer to the five-year development plan submitted by the distribution utilities to the DOE not later than the fifteenth (15<sup>th</sup>) of March of every year, pursuant to Section 23 of R.A. No. 9136 and Rule 7, Section 4(p) of its IRR. In the case of electric cooperatives, such plans shall be submitted through the NEA for review and consolidation, in preparation of the National Electric Cooperatives Distribution Development Plan.

**d) “Distribution Management Committee (DMC)”** shall refer to the committee established by the ERC to monitor the implementation of the Distribution Code and to perform other functions mentioned in Section 2.2.1 of the Distribution Code.

**e) “Distribution System”** shall refer to the system of wires and associated facilities belonging to a franchised distribution utility, extending between the delivery points on the transmission, sub-transmission system, or generating plant connection and the point of connection to the premises of the end-user.

**f) “Distribution Utility”** shall refer to any electric cooperative, private corporation, government-owned utility, or existing local government unit that has an exclusive franchise to operate a distribution system.

**g) “Economic Zone (EZ)”** shall refer to the selected areas which are being developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers. An EZ may refer to any of the following: Industrial Estates, Export Processing Zones, Free Trade Zones, Information Technology Parks and Tourist/Recreational Centers, such as but not limited to, those managed, administered, or operated by the Bases Conversion Development Authority (BCDA), Cagayan Economic Zone Authority (CEZA), Clark Development Corporation (CDC), Subic Energy Zone (SEZ), Philippine Economic Zone Authority (PEZA), Phividec Industrial Authority (PIA), and Zamboanga City Economic Zone Authority (ZCEZA).

**h) “Electric Cooperative”** shall refer to a distribution utility organized pursuant to Presidential Decree No. 269, as amended or as otherwise provided in Republic Act No. 9136.

**i) “Electric Utility”** shall refer to all electric power Transmission and Distribution Utilities as stated in Section 3 of Article 1 of this Guidelines.

**j) “Grid”** shall refer to the high-voltage backbone system of interconnected transmission lines, substations, and related facilities.

**k) “Grid Code”** shall have the same meaning as “Philippine Grid Code.”

**l) “Grid Management Committee (GMC)”** shall refer to the committee established by the ERC to monitor the implementation of the Grid Code and to perform other functions mentioned in Section 2.2.1 of the Grid Code.

**m) “Grid Owner”** shall refer to the party that owns the high-voltage backbone transmission system and is responsible for maintaining adequate grid capacity in accordance with the provisions of the Grid Code.

**n) “National Transmission Corporation (TransCo)”** shall refer to the corporation organized pursuant to Republic Act 9136 to acquire all the transmission assets of the National Power Corporation. When used in this Guidelines, it shall also refer to the Buyer or Concessionaire or assignee of Transco.

**o) “Philippine Distribution Code (PDC)”** shall refer to the set of basic rules, requirements, procedures, and standards to ensure the safe, reliable, secured and efficient operation, maintenance, and development of the distribution systems in the Philippines. It also defines and establishes the technical aspects of the working relationship of the Distributors and all users of the distribution system.

**p) “Philippine Energy Plan (PEP)”** shall refer to the overall energy program formulated and updated yearly by the DOE and submitted to Congress pursuant to Republic Act No. 7638.

**q) “Philippine Grid Code (PGC)”** shall refer to the set of basic rules, requirements, procedures, and standards that will ensure the safe, reliable, secured and efficient operation, maintenance, and development of the high-voltage backbone transmission system in the Philippines. It identifies and recognizes the responsibilities and obligations of the Grid Owner, System Operator, and the Market Operator.

**r) “Power Development Program (PDP)”** shall refer to the indicative plan for managing electricity demand through energy-efficient programs and for the upgrading, expansion, rehabilitation, repair, and maintenance of power generation and transmission facilities, formulated and updated yearly by the DOE in coordination with the generation, transmission, and distribution utility companies.

**s) “Transmission Development Plan (TDP)”** shall refer to the program for managing the transmission system through efficient planning for its expansion, upgrading, rehabilitation, repair, and maintenance, to be formulated by DOE and implemented by TransCo or its buyer or concessionaire.

t) **“Transmission System”** shall have the same meaning as “Grid.”

**Section 5. Classification of Capital Projects** – Capital Projects are classified into three (3) categories:

a) **Major Capital Projects** – are projects or programs that are larger in terms of the nature and scope of work.

*Major Capital Projects may include but not limited to the following:*

- *Construction / Expansion / Extension of power substations and facilities; transmission, sub-transmission, distribution lines and facilities*
- *Upgrading / Uprating of transmission / distribution facilities*
- *Power systems control, protection, metering, communication and data acquisition facilities projects*
- *Retiring / Withdrawal from service of existing facilities*
- *Relocation of existing facilities*
- *Reliability / Contingency projects*

*All Major Capital Projects to be implemented by TransCo, its Buyer or Concessionaire shall be consistent with the TDP and shall be submitted for the ERC’s evaluation and approval after securing an endorsement / approval of the project(s) feasibility studies from their respective Management Committee or Board of Directors, as the case maybe.*

*For Distribution Utilities and other duly authorized entities engaged in the distribution of electricity, Major Capital Projects to be constructed in a given year shall be submitted for the ERC’s approval not later than the 31<sup>st</sup> day of August of the previous year.*

b) **Minor Capital Projects** – are projects, programs and activities needed in providing and maintaining service to customers.

*Minor Capital Projects may include but not limited to the following:*

- *Replacement of aging / obsolete / dilapidated poles and towers substation and protection facilities*
- *Repair of pole-line hardware and accessories*
- *Power Quality / Voltage Improvement*
- *Customer-initiated line / service extensions*
- *Rehabilitation / Repair projects*
- *Replacement of equipment within existing facilities*

*Electric Utilities shall not be required to file formal application for approval of Minor Capital Projects but are subject to verification by the ERC.*

*All Minor Capital Projects to be implemented shall be submitted to the ERC for monitoring purposes not later than the 30<sup>th</sup> day of September of the current year indicating the following: (1) Project / Program / Activity Description; (2) Justification; (3) Actual Project Costs; and (4) Project Schedule.*

**c) *Emergency Capital Projects*** – *are major capital projects that are due to unforeseen activities, problems and device failures in the electric transmission and distribution system that require immediate action in order to maintain safe, reliable, secured and efficient operation of the power system.*

*The Electric Utility shall file an application for approval within sixty (60) calendar days after completion of Emergency Capital Projects.*

*Application for approval of Emergency Capital Projects shall be decided upon by the ERC within 120 calendar days; otherwise, it is deemed that the application shall have been approved.*

## **ARTICLE II**

### **APPLICATIONS AND REQUIREMENTS**

**Section 1. Application for Major Capital Projects** – The application, duly verified by the *authorized* representative of TRANSCO or Distribution Utility, as the case may be, for the approval of any Major Capital Project shall be filed with the ERC together with properly labeled three (3) hard and electronic copies of the following data / information and a checklist of requirements:

1. Description of the Project;
2. Justifications for the Project;  
(Include the adverse effects of the non-implementation of the proposed Project(s) and impact or benefits of the proposed Project(s) on the system);
3. Options / Alternatives considered in lieu of the proposed Project(s);
4. 5-year Historical and Forecast Planning Data;
5. Technical Analysis (Simulation and/or Computation);

6. *Projected Economic Cost Analysis;*
  - i. *Impact / effect on rate base of the proposed Project(s);*
  - ii. *Net Present Value, Internal Rate of Return and Benefit/Cost Ratio analysis (include analysis for the alternatives);*
7. *Conceptual Engineering Design and Drawings;*
8. *Project Cost Estimates (Equipment, Materials, Installation /Construction, Testing & Commissioning, Feasibility & Engineering Design);*
9. *Project Financing Plan (i.e. amount and sources of financing);*
10. *Proposed Gantt Chart Schedule;*
11. *Board resolution or Secretary's Certificate approving the proposed Project(s);*
12. *Sworn Statement from the authorized representative of the Electric Utility that an application for approval from the concerned agencies that may have interest in the proposed project has been filed;*
13. *Sworn Statement that the proposed project/s are consistent with the TDP / DDP;*

**Section 2. Evaluation and Approval** – *Within fifteen (15) calendar days from receipt of an application, the ERC shall review all the documents submitted, and shall notify in writing an Electric Utility whose application requires additional information to submit supplemental documents, or shall issue a notice of a scheduled hearing to an Electric Utility whose application is in compliance with the approved requirements.*

*Any petition, application or action to be filed herein shall be governed by the existing Rules of Practice and Procedure Governing Hearings before the ERC, the pertinent provisions of the Act or its IRR and other related laws.*

*Upon receipt of notification from the ERC that the Electric Utility has submitted and completed all the required documents, evaluation and approval of Major Capital Projects and/or Emergency Capital Projects shall be decided by the ERC within one hundred twenty (120) calendar days; otherwise, it is deemed that the application shall have been approved.*

*For the authorization and approval of Major Capital projects and/or Emergency Projects, an Electric Utility shall be required to pay a permit fee based on the existing schedule of ERC Fees and Charges.*

*The ERC may refer to the GMC or the DMC any Major Capital Projects submitted by the Electric Utility for their evaluation and subsequent recommendation to the Commission.*

*The ERC may engage the services of a qualified third party at the expense of the electric utility in the evaluation of any Major Capital Project/s application submitted to the ERC for approval.*

**Section 3. Reportorial Requirements** - *Upon ERC's approval of the Major Capital Projects, Electric Utilities shall submit the Plan for Right-of-Way (if applicable) and results of the competitive bidding to be conducted including proposals/ purchase orders of the previously purchased stocks or inventories (if applicable) to be utilized for the proposed major capital projects.*

*Regular progress reports and actual project running costs shall also be submitted. The frequency of submission of the said reports shall be determined by the ERC taking into consideration the project timetable.*

*Any substantial change in the conceptual engineering design, specifications and bill of materials that results in an increase of 10% or more of the project cost shall be reported to ERC in writing within fifteen (15) calendar days from its implementation. The ERC shall render its decision within thirty (30) calendar days upon receipt of the report; otherwise, it is deemed that the revision/s shall have been approved.*

*A cumulative increase of 10% or more on top of the allocated contingency of the proposed budget due to uncontrollable factors during the construction phase of the project shall be reported to the ERC.*

**Section 4.** The Electric Utility shall submit to the ERC a written report, together with justifications, if it decides to defer or cancel approved Major Capital Projects.

### **ARTICLE III**

#### **ADMISTRATIVE SANCTIONS**

Violations of this Guidelines shall be subject to the penalty which the Commission 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 Republic Act 9136.

## ARTICLE IV

### TRANSITORY PROVISIONS

Major Capital Projects that have been completed or have been commenced shall be submitted for the ERC's approval, within three (3) months from the date of the effectivity of this Guidelines.

## ARTICLE V

### FINAL PROVISION

**Section 1. SEPARABILITY CLAUSE** - If for any reason, any provision of this Guidelines 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.

**SECTION 2. REPEALING CLAUSE** - Any rule or regulation inconsistent with the provisions of this Guidelines is hereby repealed and modified accordingly.

**Section 3. EFFECTIVITY** - This Guidelines shall take effect fifteen (15) days upon its publication in a newspaper of nationwide circulation.

Pasig City, April 07, 2005.