

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

IN THE MATTER OF THE APPLICATION
FOR THE AUTHORITY TO ADOPT AND
IMPLEMENT A SPECIAL RATE DISCOUNT
AND/OR TRANSMISSION INCENTIVE
PROGRAM.

ERC CASE NO. 2003-174

NATIONAL TRANSMISSION
CORPORATION (TRANSCO),
Applicant.
X-----X

O R D E R

Before this Commission for resolution is the application filed on April 4, 2003 by applicant National Transmission Corporation (TRANSCO) for authority to adopt and implement a Special Rate Discount and/or Transmission Incentive Program.

On October 11, 2002, the Commission authorized the National Power Corporation (NPC) to implement the Special Program to Enhance Electricity Demand (SPEED) as and by way of expanding the coverage of the existing Productivity Enhancement Program. The following table illustrates the discounts authorized at that time:

GRID	SPEED discount PhP/kWh
Luzon	0.80
Visayas	0.70
Mindanao	0.10

On April 4, 2003, the NPC filed an application to modify the SPEED discount in the following manner:

GRID	Modified SPEED discount PhP/kWh
Luzon	0.50
Visayas	0
Mindanao	0

On April 28, 2003, the TRANSCO filed its application on the Transmission Incentive Program (TIP) which is a counterpart special rate discount on its transmission charge complementing the NPC's SPEED program.

On June 17, 2003, the Commission issued an Order directing TRANSCO to submit justification/basis on the PhP 0.10/kWh discount rate.

In compliance with the said Order, TRANSCO submitted the following justifications:

- (a) The TIP intends to give incentive to large electricity users in order to stimulate productive electricity consumption and in turn optimize the utilization of capacity of the existing power plants in the grid;
- (b) The TIP shall be granted to all large electricity end-users (industrial and commercial) in the grid who are presently availing of NPC's SPEED Program;
- (c) The rate discount to be applied to the incremental energy consumption (actual energy [kWh] consumption over the corresponding Customer Baseline Load [CBL]) is PhP 0.10 per kWh; and

- (d) The TIP is fair and reasonable and will provide immediate rate relief in terms of discounted/lower cost of transmission charges that will ultimately redound to the interest and benefit of the consuming public.

The Proposed (TIP) has the following salient features:

- A. The TIP shall be made available to all large end-users (industrial and commercial customers) under the following conditions:

1. Phase I – Industrial and Commercial Customers with a nominal demand of at least 1000 kW per month

- a) Directly connected customers with an existing power supply contract with NPC, which include strategic industries such as:

- i) Petrochemicals;
- ii) Semiconductors; and
- iii) Other similarly situated industries duly accredited by the Department of Trade and Industry (DTI).

- b) Customers of Distribution Utilities (DU) with an existing power supply contract with NPC, which include strategic industries such as:

- i) Petrochemicals;

- ii) Semiconductors; and
- iii) Other similarly situated industries duly accredited by DTI.

c) Customers located in one contiguous area such as those operating within:

- i) Export Processing Zones;
- ii) Special Economic Zones;
- iii) Industrial Parks and Estates served by a DU; and
- iv) An entity with an existing power supply with NPC.

2. Phase II – Industrial and Commercial Customers with a nominal demand of at least 500 kw per month

a) Directly connected customers with an existing power supply contract with NPC, which include strategic industries such as:

- i) Petrochemicals;
- ii) Semiconductors; and
- iii) Other similarly situated industries duly accredited by DTI.

b) Customers of Distribution Utilities (DU) with an existing power supply contract with NPC, which include strategic industries such as:

- i) Petrochemicals;
- ii) Semiconductors; and
- iii) Other similarly situated industries duly accredited by DTI.

c) Customers located in one contiguous area such as those operating within:

- i) Export Processing Zones;
- ii) Special Economic Zones;
- iii) Industrial Parks and Estates served by a DU; and
- iv) An entity with an existing power supply with NPC

d) Availment of commercial customers shall be dependent on the assessment of the respective DU.

B. Discount Rates

1. Applied to the incremental consumption which is the actual monthly energy consumption, determined by NPC, over the Customer Baseline Load (CBL) for the quarter;
2. Discount Rate: PhP 0.10 /kWh; and
3. Rates are fixed for the duration of the program.

C. Billing and Settlement

1. For directly connected customers:

- a) The concerned TRANSCO District Offices and System Operations Group shall undertake the meter reading, providing among others the incremental energy (kWh) consumption.
- b) The certified meter reading report shall be for the allowed discount for the eligible customer based on duly served NPC power bill.
- c) A credit memorandum, applicable to the power bill of eligible customer who avails of the NPC SPEED program, shall be issued applicable in the succeeding billing period.

2. For Distribution Utilities' (DU) eligible customers:

- a) The DU shall establish and compute that incremental consumption at the end of each billing period;
- b) If an incremental energy (kWh) consumption is registered by the customer, the discount is deducted by the DU from their regular power bill.
- c) Thereafter, the DU will provide TRANSCO a report on the following for each eligible customer under its jurisdiction:

- i) Index reading of the billing meters, particularly showing the previous and present reading;
 - ii) Multiplier used (if any);
 - iii) Total incremental energy (kWh) consumption; and
 - iv) Discount availed
3. TRANSCO in coordination with NPC shall reimburse the DU for TRANSCO's share of the discounts, through a credit memo applicable to the power bill of the particular DU for the succeeding billing period.
4. TRANSCO's share of the discount shall be based on the DU's actual incremental energy purchased from NPC for a particular billing period.

D. Effectivity

1. The TIP shall be effective on the billing month immediately upon approval until the billing month of September 2004, or upon full implementation of the Wholesale Electricity Spot Market (WESM) or when there is no available NPC unutilized generating capacity in a particular grid, whichever comes first.
2. Implementation of Phase II could coincide with Phase I, depending on the assessment of the respective DU.
3. Inasmuch as TIP does not guarantee incremental revenues, TRANSCO shall implement this program as

long as the discount is applied only to the incremental energy (kWh) consumption.

WHEREFORE, the foregoing premises considered, applicant TRANSCO is hereby granted the provisional authority to implement its Transmission Incentive Program (TIP) in view of the benefit of providing discount to the qualified transmission power delivery service customers, the TIP considered to be applied to the incremental consumption which is the actual monthly energy consumption, determined by NPC, over the Customer Baseline Load (CBL) for the quarter amounting to PhP 0.10 / kWh.

The Commission reiterates its Order setting this case for hearing on August 4 and 5, 2003 both at ten o'clock (10:00 A.M.) in the morning at ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City.

SO ORDERED.

Pasig City, July 25, 2003.

MANUEL R. SANCHEZ
Chairman

MARY ANNE B. COLAYCO
Commissioner

OLIVER B. BUTALID
Commissioner

CARLOS R. ALINDADA
Commissioner

LETICIA V. IBAY
Commissioner

Copy furnished:

1. Attys. Noel Z. de Leon, Leon T. Tapel and Henry P. Alog
Counsel for Applicant
Agham corner Quezon Avenue
Quezon City 1128
2. National Transmission Corporation
Agham corner Quezon Avenue
Quezon City 1128
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
City of Makati - 1229
4. Commission on Audit
Commonwealth Avenue
Quezon City - 0880
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City - 1300
6. House Committee on Energy
Batasan Hills, Quezon City - 1126
7. Power Sector Assets & Liabilities Management Corporation
2nd Floor SGV II Building
Ayala, Avenue, Makati City
8. Philippine Electric Plant Owners Association (PEPOA)
8th Flr., Strata 100 Building
Emerald Avenue, Ortigas Center
Pasig City 1600
9. NAPOCOR Industrial Consumers Association, Inc. (NICAI)
G/F Alegria Building
Pasong Tamo, Makati City 1231
10. Manila Electric Company (MERALCO)
MERALCO Building
Ortigas Avenue, Pasig City 1600
11. Atty. Ricardo P. Guevarra
Chairman
Association of Mindanao Industries (AMI)
G/F Salamin Building, 197 Salcedo Street
Legaspi Village, Makati City 1229